

**ECONOMIC ADMINISTRATION
REFORMS COMMISSION**

REPORT

ON

ECONOMY IN PUBLIC EXPENDITURE

**DEPARTMENT OF ADMINISTRATIVE REFORMS & PUBLIC
GRIEVANCES**

ज्ञान मन्दार
Government of India

आर्थिक प्रशासन सुधार आयोग
ECONOMIC ADMINISTRATION REFORMS COMMISSION

10, Janpath,
No. EARC V A(6) 83 नई दिल्ली: New Delhi, the 30th June, 1983

To

Shrimati Indira Gandhi,
Prime Minister of India,
New Delhi.

Madam,

We submit herewith our Report No. 28 on "Economy in Public Expenditure".

Copies of the Report are being sent to the Finance Minister and to the Cabinet Secretary.

Yours faithfully,

Sd -
(Raja J. Chelliah)

Sd -
(R. Tirumalai)

Sd -
(L. K. JHA)

Encls : as above.

NO. EARC/V/A(6)83.

आर्थिक प्रशासन सुधार आयोग

**ECONOMIC ADMINISTRATION REFORMS
COMMISSION**

New Delhi, the 30th June, 1983



**CHAIRMAN
L. K. JHA**

Dear Shri Mukherjee,

On behalf of the Commission I have great pleasure in forwarding herewith a copy of our letter to the Prime Minister together with its enclosure, viz., our Report No. 28 entitled 'Economy in Public Expenditure'.

Yours sincerely,

Sd -

(L. K. JHA)

Shri Pranab Mukherjee,
Minister of Finance,
New Delhi.

Encl : As above.

Copy with copy of the Report to Shri C. R. Krishnaswamy
Rao Sahib, Cabinet Secretary, Rashtrapati Bhavan, New Delhi.

Sd

(L. K. JHA)

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ECONOMIC ADMINISTRATION REFORMS COMMISSION
EARC Report No. 28

ECONOMY IN PUBLIC EXPENDITURE

I

Introductory

One of the seven items referred by the Government to the Economic Administration Reforms Commission for examination was economy in public expenditure. The area which can be covered under this broad head is truly vast. Its importance cannot be over-emphasised because the continuing increase in the level of public expenditure on revenue account at a pace higher than the increase in the national income eats into the level of savings in the community and necessitates higher taxation of a kind which does not augment the resources available for development.

2. Concern over mounting expenditure has led Government to take various *ad hoc* measures from time to time with a view to effecting economy, but these have not been markedly successful. Sometimes more comprehensive studies of the possibilities of achieving a reduction in public expenditure have been undertaken. In the recent past a full-fledged Commission had been appointed to go into this question, but for a variety of reasons the Commission was wound up and eventually the subject was referred to us.

Study of trends in Central Government expenditure

3. We felt that as a first step we should embark upon a study of the growth of public expenditure, looking into its various components and the sectors in which outlays have gone up, so as to have a solid data base for further studies to be made and for the formulation of appropriate recommendations. This study has been completed just when the term of the three-man Commission is coming to an end, and we are forwarding it with this Report as *Enclosure I*. The present Report is confined to some preliminary observations on the subject of economy in public expenditure. However, we are very conscious of the fact that considering its importance and vastness, the subject warrants a much more thorough examination. Government may wish to consider whether certain areas of expenditure, such as subsidies, should be remitted to some other agencies or subjected to scrutiny by some internal task forces within the Government.

Wrong approach to economy

'Economy' instructions : adverse results

4. At this stage, some observations on a wrong approach to economy in public expenditure have never been very successful, in spite any reductions in Governmental activities or in the number of people employed by the Government. That is the reason why efforts at economy in public expenditure have never been very successful, in spite of concern being expressed about this matter from time to time. But whether or not such efforts can be successfully undertaken, it is at any rate necessary to recognise that *there are no easy routes to economy. The periodical re-issue of 'economy' instructions* limiting official travel, imposing a ban on air-travel by the more junior officers, putting restrictions on the installation of telephones, the purchase of furniture or staff cars, trying to contain the use of stationery and imposing arbitrary cuts on contingent expenditure, is a ritual which does not bring about any significant economy; on the other hand, *by cutting down essential adjuncts or aids to executive action, they render an already inefficient machinery still more inefficient.* Moreover, any blanket ban, whether on the creation of posts or on the installation of telephones, or on the purchase of staff cars or furniture, or on air-travel by the 'non-entitled' officers, merely means that more work has to be done by way of processing relaxations of the ban in particular cases. Notes have to be recorded by a number of people and they go up to the highest levels, so that we have the strange spectacle of Secretary (Expenditure) having to decide whether a particular junior officer in one of the administrative Ministries should, under given circumstances, travel by air or not. It is also curious that even when a new organisation is set up and has to be provided with the necessary facilities, the motions of securing a relaxation of the economy instructions have to be gone through, and in this process the obvious frequently needs to be stated and re-stated. Clearly, *economy measures which result in such infructuous additions to work are conducive not to economy but to the opposite.*

Erosion of delegation

5. A still more pernicious result of the economy instructions is that they cut right across the delegated authority of the Ministries. Over the years, the old system of rigid and centralized financial control has been gradually decentralised and modernized, and the delegated authority of the Ministries has been progressively stepped up to higher levels. Unfortunately, the exercise of that authority, delegated formally through statutory rules, gets nullified by instructions which

require the Ministries to seek the concurrence of the Finance Ministry in certain actions even within their delegated sphere, if they come within the purview of the so-called 'economy' measures.

6. We are convinced that whatever the difficulty in bringing about economy in the real sense through the more drastic steps of reductions in activity or numbers, nothing whatsoever is gained by the stereotyped economy instructions issued from time to time, and indeed that these instructions make for diseconomy rather than economy. *If the otherall budgetary constraint requires a restraining hand on spending by the Ministries, it would be much better to effect an appropriate cut in the aggregate allocations of the Ministries, or limit the normal growth from one year to the next to a certain modest percentage, and then leave the Ministries free to incur expenditure within the budgetary allocation, without having to clear individual administrative actions which are within their delegated sphere with the Finance Ministry because the 'economy' instructions require this.*

Misguided cuts on 'non-Plan' expenditure

7. *A particularly unfortunate feature of the ad hoc efforts at economy made from time to time is that there are essentially directed against non-Plan expenditure, the implied assumption being that Plan expenditure is developmental and should not be cut whereas non-Plan expenditure is non-developmental and should be minimised. Nothing can be more fallacious. Developmental schemes, projects and programmes undertaken in one Plan period become committed items of expenditure in the ensuing Plan and are classified as "non-Plan". It is obvious that the maintenance and sustained operation of such schemes and programmes is as important as, if not even more important than, the undertaking of new schemes and programmes; and yet our planning is so project-oriented that it is easier to find funds for new starts than for keeping existing plant and equipment or roads or bridges in good shape or for ensuring the satisfactory operation of existing services. Moreover, while the axe tends to fall on "non-Plan" expenditure in any economy drive, there is not enough discipline in regard to Plan expenditure. The study in Enclosure I shows that the faster growing components of Government expenditure consist of subsidies and other transfer payments. These are largely Plan expenditures and their magnitude and cost-effectiveness with reference to the developmental objectives are matters for careful study. Economy drives should begin here, instead of leaving this entire area untouched and concentrating on the so-called non-Plan expenditure.*

Growing expenditure on Government servants

8. While, as mentioned above, the faster-growing components of government expenditure consist of subsidies and other transfer payments, *the expenditure on the pay and allowances of Government employees has also been growing at a rapid pace*, because of the increase in both the number of employees and in the scale of emoluments including D.A. and other allowances. Leaving aside the armed forces of the country, the number of regular civilian employees of the Central Government has gone up from 29.7 lakhs in 1975 to 34.4 lakhs in 1982. (The number of State Government employees has increased from 67 lakhs to 89 lakhs over the same period). The expenditure on the pay and allowances of the civilian employees of the Central Government has increased from Rs. 1468 crores in 1974-75 to an estimated Rs. 2960 crores in 1981-82. Thus, *while the number of employees has increased by 15.8 per cent, the expenditure on pay and allowances has more than doubled over the period*. It has been shown in Section V of our study, that in most of the years in the period covered, the increase in expenditure because of factors other than increased D.A. payments, such as increased staff, increments, etc., accounted for more than 55 per cent of the total increase. Thus, the increase in pay and allowances cannot be attributed mainly to adjustments made for inflation. It seems clear that unless deliberate steps are taken to stop the growth, the pay and allowances components of Government expenditure will continue to grow at a fast pace. *Among the various steps to be taken, emphasis must be placed on halting the increase, if not bringing about a reduction, in the number of Government employees.*

Working Group on staffing pattern & personnel policies

9. In order to go into the problem of the proliferation of staff and some related matters, we set up an inter-ministerial working group including representatives of the E.A.R.C., the Ministry of Finance, the Department of Personnel & Administrative Reforms and the Comptroller & Auditor General of India. The Group made a detailed examination of the working of the Department of Agriculture (the major part of governmental activities in this area are in the hands of the State Government) and the Department of Central Excise, which deals with an exclusively Central subject. The Group also studied the existing arrangements in regard to effecting economy in the matter of staff and the way in which different agencies look into the problem. The report of the Group on the staffing of the Department of Agriculture and the Department of Central Excise is unanimous, but in regard to the ways of

ensuring through adequate scrutiny and checks a much tighter control on the creation of new posts is not unanimous.

10. If we were to attempt to do justice to this report and to formulate any specific recommendations pertaining to the three areas covered by it, it would have been necessary for us to hold discussions with the Departments and agencies concerned. Unfortunately, on account of the constraints on our time, we have not been in a position to do so. *We, therefore, enclose a copy of the Working Group's report (Enclosure II) for the consideration of the Government and would suggest that its findings and recommendations be considered inter-departmentally, the necessary initiative in this behalf being taken by the Cabinet Secretary.*

IV

Reasons for increase in number of Government servants

11. However, we cannot leave this subject without making some further observations and suggestions for Government's consideration. The prime reasons for the steady increase in the number of Government employees appear to be the following :—

- (a) Enlargement of the area of governmental activity through the taking on of new tasks and the setting up of new organisations, with the creation of posts for each new activity
- (b) Working methods and procedures which tend to maximize rather than minimize the number of people involved in taking each decision.
- (c) Weaknesses in the organisational frame-work of government offices because of a staffing pattern coming on from the past.

12. It was inevitable and necessary that after independence, and with the commitment to planned development and a socialist pattern of society, the scope of governmental activities and the staff needed to carry them on should get greatly enlarged. But such a process cannot continue indefinitely. We cannot help feeling that sometimes new activities were taken up and new responsibilities assumed without counting their cost. Often there is duplication of effort, one department setting up its own agency to do something, which, perhaps from a somewhat different angle, is already being done by another. Almost always additional staff is provided whenever some new field of work is taken on. Three and a half decades after Independence, we should be at a stage when even while some new activities may have to be taken up or old ones expanded, some others can be discontinued or curtailed, the staff requirements of the former being met by the staff thrown up as surplus by the latter. Unfortunately, the decline of any type of activity does not result in any reduction of the staff working on it. When various activities are partly or wholly transferred to public sector undertakings, statutory bodies and other agencies, there is rarely any reduction in the Secretariat dealing with them. Not that they remain idle. They spend their time re-examining and re-scrutinising whatever has been done by the agencies directly responsible for dealing with the matter, thus delaying decisions, which is itself costly, and in the process creating more work for others. The Group's report in regard to the two Departments studied corroborates this view.

Need to create new posts for limited periods

13. One way of reversing this trend would be to lay down that whenever new posts are sanctioned for a particular activity, a view should be taken of the time within which the activity would come to an end or would need to be reviewed, and the posts sanctioned for a limited span of time so that a review becomes automatically necessary. In a purely formal sense, since there is a well-established practice of creating all new posts with the terminal date of February 28, opportunity does exist in theory to abolish posts which have become redundant. Unfortunately, the very fact that such a vast number of posts terminate on a particular date, and that it is essential to take a quick decision about their continuation, means that the renewal and extension of posts becomes a matter of routine. Under such circumstances, no meaningful examination to see whether the posts continue to be needed is possible; on the other hand, a good deal of infructuous work in providing justification even for the obviously needed staff is necessitated by such a review.

Mass renewal of temporary posts on 1st March infructuous

14. Indeed, the annual ritual of the extension of temporary posts which lapse on 28th February each year is a classic instance of totally unnecessary and infructuous work. It is true that we have a system of annual budgeting and that the voted funds lapse at the end of the year, but this need have nothing to do with the sanctioning of posts. The sanctioning of a post does indeed imply a commitment to expenditure, but so do all sanctions, and not all of them expire at the end of the financial year. Ours is not a commitment budget but a disbursement budget, and commitments are made which cover more than one financial year. Sanctions are issued for projects which take years to complete, (e.g. steel plants, fertilizer projects, super-thermal stations, etc.). These do not lapse at the end of the financial year, but the actual availability of funds for these projects in each year is of course dependent on the budget provision. Again, if the principle of not making commitments beyond the end of the financial year is to be strictly observed, there can be no permanent posts; also, all appointments would have to terminate on 28th February and fresh appointment orders would have to be issued in the new year; and no contracts can be entered into, which cut across the limit of the financial year. Clearly, there are no such problems. In the circumstances, it is not clear why the principle of annual renewal should apply merely to temporary posts. It is true that certain kinds of sanctions do lapse at the end of the financial year, e.g., sanctions for grant-in-aid etc. Even here, it is possible to conceive of non-lapsing sanctions without any departure from our budgetary principles. Be that as it may, there seems to be no reason why temporary posts should expire on 28th February and be renewed on 1st March.

15. There should certainly be an occasion for a review of the need for continuing the posts, but as already mentioned, this purpose is not served under the present system of a mass—lapsing and

continuance of posts. *It would be much better to sanction posts for the period needed, say six months or one year or two or three years as the case may be.* For instance, if a Commission or Committee is set up for two years, its posts should also be sanctioned for two years. They would then automatically expire at the end of that period and cannot continue without a specific review and renewal. *Even where it is difficult to project the end of an activity with any precision, the posts should be created only for a limited period—not up to 28th February as at present, but up to certain arbitrarily chosen dates in the year, so as to avoid a bunching of renewal work at the end of the financial year.*

Reducing and streamlining direct administrative controls : economy aspect

16. The effectiveness of such reviews of the need for the continuance of posts would depend on the readiness with which the departments concerned accept that a particular type of activity or control can be dispensed with. We have, in the course of our reports on industrial approvals, had occasion to point out many instances where in our view controls can be virtually eliminated, while controls which have to continue can be streamlined so as to have a single-window clearance rather than require sequential clearance by different departments and Ministries. Worse than the multiplicity of the controls to which a single economic activity is subjected is the proliferation of controllers who have separately and independently to apply their minds to it. While our recommendations in this behalf were directed towards speeding up the decision-making process, they would also result in the reduction of the man-hours spent on each case, and, therefore, lead to economies. Such recommendations are bound to meet with some resistance and opposition, as a reluctance to change is an inherent characteristic of any bureaucracy. In forming financial judgements on the recommendations in question, we *hope* Government would take into account the saving in public expenditure which would result from giving up activities and controls which no longer have the relevance which they had when they were introduced. We are happy in this context to note that the Council of Economic Advisers recently set up has also had occasion to point out that the time has come to consider the replacement of many of the existing direct administrative controls by indirect controls *via* the financial institutions which, in the course of their scrutiny of loan applications, can take into account the kind of considerations which different Ministries bring to bear on the examination of each investment proposal. What stands in the way of such an approach is the growth in departmentalism in the sense that each department wishes to exercise its authority through its own agency and not content itself with the evolution of policies and guidelines which can be applied by one single agency acting on behalf of the Government as a whole.

Need for integrated functioning through fewer agencies

17. Indeed, there is a pronounced trend for each new activity to be the occasion for a new agency to be set up to execute it. *It would be much better and more economical, whenever possible, to entrust an additional activity to an agency which is already engaged in an allied field.* There are many separate corporations dealing in one way or another with the promotion of our exports.

Each of them has a separate organisation and often maintains separate offices abroad. Both economy and efficiency could be achieved by exploring the possibilities of their functioning, at least in overseas countries, under one umbrella, and being located in the same premises, sharing common facilities. Similarly, allied activities such as family planning, child welfare, public health and general medical treatment, could at least at the ground level and in terms of field work, be looked after by an integrated body of appropriately trained personnel rather than carried on by independent agencies, who often duplicate effort and take orders from headquarters instead of working as a team in a coordinated way.

New Governmental activities : expenditure implications to be considered

Much stricter attitude to new activities necessary

18. Finally, whenever a decision is to be taken about any new line of activity to be taken up, the proposal seeking Government's approval to it should also spell out its implications in terms of staff requirements. Otherwise, once the decision to do something has been taken, the Finance Ministry has no option but to agree to the extra staff asked for subject to a few proforma cuts for which the department concerned takes good care to provide a cushion when formulating its proposals. In the consideration of departmental schemes and projects the staff component is usually indicated, but whenever a new governmental role or activity in the area of economic regulation or development is thought of, the implications in term of an increase in governmental staff and expenditure are not always kept in view. As mentioned earlier, the continuous expansion of governmental activities was perhaps necessary and unavoidable in the early stages of our development, but we believe the time has come when Government must take a much stricter attitude towards embarking on any new activity, particularly if it entails the creation of a new agency or an increase in the sanctioned strength of the department wanting to promote it.

VI

Working methods and procedures : centralisation and duplication and decisions at too high a level

19. Turning now to working methods and procedures which lead to a proliferation of staff, we find that some of them are a heritage from the past while others are of relatively recent origin. To take up the latter first, there has been a pronounced trend in recent years for more and more decisions to be taken at a higher level than in the past. The types and numbers of cases for which approval is required at the level of the Minister-in-charge or of a number of Ministers or of a Cabinet Committee, if not the Cabinet itself, have been steadily increasing. Each such case needs an examination by the secretariat at different levels. Since such an approval is also prescribed for a large number of cases pertaining to the working of public sector undertakings which are supposed to be autonomous, there is much duplication of effort, as the same proposal gets examined by two parallel organisations with frequent cross references in which queries are made and answered, before the case is submitted for a final decision by those empowered to take it.

20. By way of illustration of this kind of over-centralization, duplication and or excessively high-level clearance, the following examples can be mentioned

- (a) The Minister in charge of Civil Aviation personally authorises cases in which those going abroad on Government account find it necessary to travel by an airline other than Air-India. The authority to do so could well be delegated to the Air-India's staff itself in cases where the airline is satisfied about the justification. In the event of a difference of opinion, the Secretary of the Department to which the official belongs could have the authority to give a clearance, subject, if necessary, to an intimation to the Department of Civil Aviation, who could keep a watch over abuse.
- (b) In industrial licensing, in cases where a letter of intent has been issued with Cabinet approval, the grant of a confirmed licence on the fulfilment of the conditions laid down in the letter of intent also needs to go to the Minister and then to the Cabinet.
- (c) In the case of public sector undertakings, the approval of both the Minister in administrative charge and the

Finance Minister is needed in regard to foreign exchange releases above a certain limit, while for private sector units, the clearance by the appropriate Committee of the SIA, such as the Capital Goods Committee or the FIB, carries with it the necessary foreign exchange clearance as well.

- (d) Approvals to institutions and schemes for tax exemption purposes, which used to be given by organizations like the Indian Council of Medical Research or the Indian Council of Social Science Research, now need to be given by the Department of Science and Technology. What is involved is a judgement about the nature and quality of the work that is being done—a technical professional judgement best exercised by professional bodies like ICMR and ICSSR. It seems a needless duplication and centralization to require an approval by the Department of Science and Technology. Besides it seems strange that social science research should also be brought within the purview of the Department of Science and Technology.

Need to free Ministers and Secretaries of burden of detailed clearances and the minimise governmental examination of public sector decisions.

21. We believe it would lead to considerable improvement in administration as well as economies in the matter of staff if, as a general rule, at political levels, policies and criteria for decisions are laid down, and their application to individual cases is entrusted to officials. *We recommend that ministers themselves should take the initiative in getting themselves free of the burden of deciding on individual cases in which no policy issues are involved. We would also recommend that excessive centralization of routine and detailed clearances in the Ministries should be avoided, and that the Ministries should make determined efforts to divest themselves of such work.. In particular, public sector undertakings and statutory corporations which are set up for certain objectives should be allowed greater operational freedom, and the need for Governmental approvals or clearances for their actions should be minimised. Where this is necessary and unavoidable, the examination of a public sector proposal should start at a high level in the Ministry, and a duplication of examination, first in the public sector undertaking and then in the Ministry starting from the bottom upwards should be avoided.* Action on these lines would reduce the load of petty, routine work which often taken up the time of Ministers, enable senior administrators to shoulder responsibilities appropriate to their status, build up the morale in the public sector and result in economies in public expenditure.

Examination of cases :

22. The preparation of a case for decision at the Minister's or other high levels involves a large number of officials who offer their comments on it. These are of two kinds. There are those originating within the department itself, reflecting the viewpoint of the deciding authority, and there are those from other departments or agencies whose contribution is from a different angle.

(a) *Within a Ministry : reduction of levels, and initial examination at higher level*

23. In the first category, a large hierarchy can come into play. The Section Officer, Under Secretary, Deputy Secretary, Director, Joint Secretary and the Additional Secretary—could all have noted on the case before the Secretary takes a final view or submits the case to his Minister. The absurdity of such a situation has been a matter on which concern has been expressed from time to time. The orthodox solution that has been propounded to this problem is known as "level-jumping": the file moves from one officer not to the level immediately above but to the next higher level. The question whether so many levels are in fact necessary has never been squarely faced. We shall return to this later.

Initial examination at higher level

24. *In our judgement there should be within the Ministry but one preliminary examination of a proposal.* This should be by someone who is capable of bringing out all the relevant points which deserve consideration and of indicating what in his view, consistent with known policies and past precedents, the decision should be. It should then go to the official, a Joint Secretary, Additional Secretary or Secretary, who will either be in a position to take a decision himself or will submit the file with his recommendations direct to the Minister. Such a method of working would mean that *the first examination of the case may, depending on its nature, be not at the lowest level in the hierarchy but at the lowest level at which the kind of appraisal referred to above can take place, having regard to the complexity and magnitude of the point at issue.* In deciding upon the level, account should be taken of the kind of examination and scrutiny that the proposal may have undergone before it reaches the Secretariat. *If it comes from a public sector agency, and has received consideration by a Board of Directors on which there are senior officials of the Government and men of competence and integrity selected by the*

Government, *examination at lower levels may be totally dispensed with. Indeed, many of these cases could well go straight to the level of Joint Secretary or higher.*

25. Such an approach, if followed in letter and spirit, can result in a reduction in the number of posts in the Secretariat, with a speeding up of disposal. Sometimes the very fact that a large number of people are called upon to offer their comments on a proposal compels each of them to raise points which are basically trivial but which succeed in making the case appear to be much more complex than it is, creating doubts which on a straightforward reading of the proposal would not have arisen.

(b) Inter-departmental consultations :

26. Apart from examination within the Ministry, most cases, particularly those relating to the economic field, get referred to different agencies and Departments for their comments. In each of them a somewhat similar hierarchy operates. When the administrative department receives all these comments, which are not inspired by a community of purpose but are based on sectoral viewpoints, the process of resolving and reconciling differences necessitates more work entailing cross-noting, inter-departmental meetings and eventually a reference to higher and still higher levels culminating in the case going to the Cabinet.

27. The need to bring to bear different viewpoints on the examination of major proposals cannot be questioned, but the manner in which such cases are identified and the issues dealt with do need fresh thinking. Many projects, programmes and proposals get approved in principle at certain stages—when the Plan is formulated, the budget is framed, or a Cabinet decision is taken. The action to be taken to implement approved objectives calls for concerted thinking among the agencies concerned and not for inter-departmental squabbles. A joint consideration of such proposals by an inter-departmental meeting is one of the ways in which much time and effort can be saved.

28. Meetings of the Industrial Licensing Committee initially used to deal with a very large number of cases examining them from all points of view, at one session. This was possible when the representation in the Licensing Committee was at a high level, usually that of the Secretary, and the attempt was to take an agreed final view. The trend in recent years has been towards confining the Licensing Committee largely to the capacity angle. Representative of different Ministries concerned with other aspects of the proposal, its foreign exchange implications, its requirements of the import of capital goods, the M.R.T.P. angle, terms of foreign collaboration, etc., tend to reserve them for separate, subsequent examination, quite often in other committees. Most of these committees are supposed to be at the Secretaries' level but are attended by relatively

junior representatives of the various departments who refuse to commit them on any point of substance and are under instructions to reserve their position.

Need for greater delegation from one Ministry to another.

29. We believe that the process of delegation of authority from the upper echelons of government to lower ones has to be supplemented and reinforced by similar delegations from one department to another. At least in one major respect, a good deal of inter-departmental delegation has been made : the need to obtain financial concurrence on a case-by-case basis has been greatly reduced over the years by progressive enlargements of the delegated authority of the Ministries and Departments to take final decisions in consultation with their Financial Advisers. As mentioned earlier, there has been some whittling down of the delegated powers of the Ministries through executive instructions for economy issued by the Finance Ministry, but by and large the trend has been towards greater delegation.

Delegation in regard to foreign exchange

30. This healthy tradition was not followed up to a similar extent in regard to foreign exchange. No doubt, even in the matter of foreign exchange, there are some areas of delegation of authority. For example, within certain ceilings laid down, the Chief Controller of Imports & Exports can issue import licences for hundreds of crores of rupees, for the import of capital goods, raw materials and consumer goods. But in respect of payments for services for invisible imports like those of technology, and for travel, much smaller outlays continue to be subject to case-by-case clearance by the Department of Economic Affairs. Similarly, as mentioned earlier, the foreign exchange requirements of public sector undertakings are cleared with the Department of Economic Affairs on files on a case-by-case basis. *Greater delegation of authority could well be made in regard to foreign exchange.* This would not mean that individual departments can act as they like. The delegation can be accompanied by guidelines which can be applied by the officers of the department concerned. If necessary, the delegated authority could be expected to be exercised in consultation with the Financial Adviser of the Ministry, in the same way as delegated powers for rupee expenditure are exercised.

Other matters

Specialist agencies to formulate guidelines and not engaged in detailed clearances

31. We are constrained to observe that the extent of delegation in other spheres is a good deal less liberal than in financial matters. Thus, M.R.T.P. clearances emerged as a distinct regime with its own procedures which followed the clearance of a case under the Industries Act. With the creation of new departments, such as the Department of Science & Technology and the Department of Environment, the

number of clearances from different departments which new projects in the industrial field require are increasing. As the numbers of such clearance increase, so will the staff requirements. *Specialist departments should not get involved in the clearance of individual cases but should confine themselves to formulating policies and guidelines which can be taken into account and implemented by the Ministries concerned with individual projects.* Only in rare cases, such as the location of a major hydro-electric or irrigation project or a port should there be need for separate examination of a case by different Ministries. *We urge that immediate consideration should be given to limiting the number of cases which require clearance from many different departments, either by appropriate delegations of authority or by setting up bodies like the Licensing Committee, where joint consideration and final clearance could be given.*

VIII

Pyramidal structure of Government offices

32. The present methods of working in Government offices, particularly in the Secretariat Departments are based on and reinforce a pyramidal structure which has been coming on from British days. Each Government department has a Secretary at the top. Under him, the number of posts at different levels go up in geometrical progression. Below the gazetted staff, a somewhat similar pattern is repeated in each section headed by the Section Officer. Such a staffing pattern generates pressures for adding senior posts as the base expands, in order to provide adequate opportunities for promotion; and when a new post at a higher level is created, it is regarded as a sufficient justification for adding an appropriate number of posts at junior and clerical levels.

33. A wide base has its usefulness for certain types of work and under certain conditions. In British days it was quite common for "office" to put up a note citing past precedents, proposing a particular course of action and even submitting a draft which could go as a response to any paper under consideration. In a large number of cases, the officer concerned would merely sign the note and the draft would issue. Such a practice was in those days conducive to economy for a number of reasons. When employment opportunities for well-educated and talented Indians were scarce, the Assistants working in the Secretariat were men of high calibre, often those who had missed getting into the ICS or PCS by a few marks. The quality of their contribution to the decision-making process was generally of a high order. Secondly, the percentage of cases which could be disposed of in this manner without calling for any expert advice or a political judgement was very high. Thirdly, the difference between the total emoluments of those in clerical grades and those in officers' cadres was tremendous. So, it was much more economical to have a pyramidal structure for Government departments.

34. None of the three assumptions is valid any longer. Clerical staff and even junior officials can make little contribution to decision-making now. Most cases, particularly in the developmental departments, need expert examination and also call for the exercise of the political judgement. Finally, the differences in the basic salaries of the staff at different levels get greatly reduced when account is taken of certain overhead items which are not proportionate to the salaries, such as housing, medical facilities, travel concessions and the more generous treatment of staff with low basic pay in the matter of overtime and dearness allowance. *Under present conditions fewer posts at lower levels and more posts at higher levels*

would lead to greater economy in expenditure, and at the same time improve efficiency.

35. A point of detail deserves notice in this context. In the present structuring of Government offices, apart from horizontal stratification there are also some *lines drawn vertically* so that diarising, despatch, typing, record-keeping and the like are tasks assigned to different individuals. Often individually they do not have a full day's work, *and fewer individuals could perform all the tasks, provided the scope of their work was not too narrowly defined.*

36. Against this background, taking account of the rising trend in government servants' emoluments, which we welcome, *the interests of economy would be better served by aiming at a smaller staff consisting of people who are better paid, better qualified and better occupied* than by allowing proliferation to continue while economising by keeping the level of emoluments unreasonably low with consequent dissatisfaction and distress, particularly in an environment in which both prices and taxes are going up. A change in the organizational structure of Government offices is, therefore, called for, which would at once be more economical and more efficient while each Government servant would be financially better off.

Need for restructuring : Increase in numbers at higher levels and reduction at lower levels

37. *Such a restructuring would need an increase in the number of officers and a reduction at clerical levels.* This is not an altogether new thought. In the mid-sixties, an attempt was made to introduce an officer-oriented pattern of staffing in the Ministry of Works & Housing. The experiment was given up not because it was unsound but because of the feeling that it resulted in a reduction in employment opportunities. In the two decades that have since elapsed the gravity of the unemployment problem has not in any way diminished. However, *to look upon the creation of new desk jobs in the Central Government as an instrument of generating new employment would surely be a mistake.* Year after year, these jobs have been increasing at a rate higher than the increase in population. The rate of increase in Central jobs is also faster than the rate of similar increase in State jobs—even in areas like agriculture and health which belong to the State sector. We have come to a stage when an increase of Rs. 5 in the monthly emoluments of Central Government employees results in an increase of Rs. 30 crores in the budget provision for them. A major impediment in the way of insulating Central Government emoluments even partially from erosion on account of inflation is that, however, reasonable the case, no relief can be given without an increase in the tax burden or an enlargement of deficit financing—each of which takes away with one hand what is given by the other or in a cut in the resources for planned development. A reduction in the number of desk jobs will not necessarily mean a reduction in the level of employment as a

whole; it could lead to opportunities for more productive employment elsewhere. One has only to contrast the paucity of teachers in schools with the over-crowding in government offices to realise that the interests of employment promotion would be better served by calling a halt to the proliferation of Central Government staff.

38. No doubt retrenchment cannot be contemplated. To the extent that steps taken to reduce the staff requirements of different departments throw up surpluses, *they can be absorbed in filling vacancies which despite all efforts to the contrary are bound to arise. Further, the aim of reducing the total number of employees can be gradually achieved by a reduction in the number of people who are recruited to different Services each year.*

Multiplicity of Services : need for review, and merging of some

39. When speaking of Services, we cannot help observing that our attempt to compile a list of Services under the Central Government brought forth the names of as many as 54 different Services. Their authorised strength varies from over 4000 for the I.A.S. to 11 for the Indian Salt Services. There are quite a number of different Services which, as far as we can make out, are filled by people with similar qualifications. Thus, apart from the Indian Audit and Accounts Service, there is the Indian Civil Accounts Service, the Indian Defence Accounts Service, the Indian Railway Accounts Service and the Indian Posts and Telegraphs Accounts and Finance Service. While each operates in a different area and deals with different departments and physical operations, the professional skills involved are the same. A multiplicity of Services means that each has to have its own leave, training and deputation reserves, and each has to undertake career-planning so as to provide reasonably satisfactory careers to their members. There would be demands within each Service for the creation of higher-level posts for improving promotional prospects; and disparities in such prospects among the Services could lead to a feeling of envy and disgruntlement, which could affect efficient functioning. *A re-examination of the rationale of having so many different Services involving common professional skills and experience might bring to light possibilities of economy through appropriate reductions in the level of annual recruitment; possibilities of merging certain Services might also merit consideration.* Apart from making for economy, a larger Service might also make cadre-management and career-planning easier and provide better prospects to its members than a number of relatively small Services with no mobility from one to the other. Doubtless different Ministries and organizations would like to have control over their own finance and accounting functions, but it should not be difficult to provide for this even if a number of Services are merged together.

Need to reconsider some technical services

40. Finally, there needs to be some questioning of the desirability of meeting the requirements of personnel for government work by constituting a variety of Services, recruitment to each of which is of relatively young candidates immediately after they complete their education, who, as a rule, receive no further training except through the experience of doing the jobs assigned to them. No doubt for certain purposes, such as general administration, the maintenance of law and order and the running of the Railways, neither experience nor much by way of training can be acquired outside Government.

But in any review of different Services and their strength, the point will have to be considered whether for certain purposes it would not be much better to recruit people who are in their thirties and forties, and who have experience of a kind which is not available in government offices but which if even more useful and relevant to their work, or who have given evidence of high ability in non-governmental employment, such as universities. Such a line of reasoning may well lead to the conclusion that for certain purposes, such as publicity, which is looked after by the Central Information Service, or assistance to industrial development, such as is expected to be provided by the Directorate General of Technical Development, or economic advice, for which reliance is placed on the Indian Economic Services, it might be better to make drastic cuts in the strength of the Service and rely upon direct recruitment on a contract basis of people who have proved their worth outside Government—working in the media, in industries in the public sector or the private sector, or in universities.

Economies in office requirements

41. We do not suggest that pending such structural and organisational changes and changes in personnel policies there is no scope for economy in governmental expenditure. We should certainly be constantly on the look-out for possibilities of economy in all the various supplies and services and administrative arrangements which are adjuncts to governmental functioning. However, inefficiencies in some of these are reflections of short-comings and deficiencies in organisational structure and personnel policies.

Stationery & records management : inter-relationship with organization & personnel

42. For instance, cutting down on stationery costs becomes the subject of concern from time to time, and instructions are issued regarding the re-issue of used envelopes using both sides of the paper, typing in single-space rather than double-space, restricting the length of notes, etc. Instructions are also issued regarding the better management of records, weeding out useless records which occupy valuable space, and so on. While some of these measures may be necessary and useful, the crux of the matter is that there is no hope of either cutting down the use of stationery or of improving storage and retrieval arrangements in Government unless there can be a drastic reduction in the generation of records. But how do we begin to control the unmanageable build-up of useless paper? This arises partly from the tradition of total record under which all decisions have to be recorded, annotated, explained and justified, so that the practice of writing at length even about minor matters spreads, and prolixity becomes an ineradicable disease. Partly, this reflects a growing sense of insecurity and the desire on the part of each functionary to place himself on record in a favourable light. However, this is not the sole explanation for the accumulation of paper. Another explanation is the hierarchical organization of Government and the fact that the bulk of the work is initiated at the lower levels and moves up through several levels, giving rising to lengthy repetitive notes. Clearly then, one important step in the direction of a better management of records is to ensure higher-level handling and a reduction of levels by a reorganisation of the staffing structure of the Government. We referred to this earlier in this report, and mention the point once again merely to illustrate how even in a matter like economy in the use of stationery inevitably leads to the question of organization and personnel policy.

House-keeping, supplies and services : e.g., cooling arrangements

43. There are of course possibilities of economy which can be considered in isolation without reference to larger issues. Some of

the supplies and services and house-keeping arrangements in Government are certainly organized in a highly wasteful manner, and can be rendered more efficient and at the same time more economical. Three examples can be given :—

- (i) Little thought for economy either of finance or of energy seems to have gone into the provision of cooling arrangements in summer in Government offices in Delhi. One possibility which could have been considered at an earlier stage (and perhaps can be considered even now when new buildings are put up) is the adoption of architectural styles and constructional methods which would provide a degree of natural cooling which would obviate or minimise the need for cooling arrangements. However, many buildings have in fact been put up with the possibility of central air-conditioning in mind, with provisions for ducts, fairly small rooms without cross ventilation, flush doors, etc. But hardly any of them has been centrally air-conditioned, perhaps because of a mis-placed sense of economy, or the feeling that central air-conditioning is a luxury. However, such buildings become intolerable to work in during the hot months, and so there is a whole range of cooling arrangements (i.e., air-conditioners for senior officers, varying in number according to rank; desert coolers, room coolers, etc., for lower ranking officers and sections). The total bill for cooling arrangements of this kind must be very high; moreover, the present arrangements involve class-distinctions in the provision of cooling facilities. *Prima facie* it would appear likely that the provision of central air-conditioning and the removal of air-conditioners, desert coolers, room coolers, etc., would lead to economy, and at the same time to better staff relations and more efficiency. This may not be borne out by a detailed examination; the point is that this is the kind of detailed examination which is called for.

Telephone facilities

- (ii) The provision of telephone facilities in Government offices is another area which needs study. In most large organisations abroad (and even in India, outside the Government) the normal practice is for an office to have a limited number of direct lines and a large number of extensions. In the Government of India, possibly because of the PBX and PABX systems being rather inefficient, the tendency is to going for direct telephone lines for all officers and to large numbers of sections. This is not merely expensive but involves a waste of scarce communication resources and imposes a severe strain on and

overloads the system. Some of our telephone exchanges, e.g., Rajpath, are considerably over-stretched. Even in a relatively small Ministry we are likely to find upwards of 50 direct telephones, whereas it should be possible to manage the requirements of the Ministry with, say, five outside lines with extensions to all officers and sections. This again is a matter for detailed study.

Free publications

- (iii) One more example (though this is not a matter of house-keeping) relates to the numerous publications which various Ministries and Departments bring out. Most of these are free publications. In general, material which is given away free is hardly ever read by the recipients. Considering the cost of stationery and printing involved, a strict review of such publications to see whether they are serving any useful purpose is very necessary.

Need for techno-economic study of specific needs and services instead of arbitrary cuts

44. We are making no specific recommendations about these matters but merely indicating the kind of studies which could be undertaken. What is needed is not to impose a ban on new telephone connections, staff cars, etc., but to undertake a study to establish clearly what the actual requirements are by way of telephone services, the transport needs of a Government office, etc., and to provide for these in the most cost-effective manner possible. A series of such studies undertaken by the British Government led to substantial economies : these have been set forth in a book which has become very well known*. *What we need is not ad hoc economy instructions of the kind referred to earlier, but detailed professional techno-economic studies of particular needs and services by expert groups.*

*Leslie Chapman : *Your Disobedient Servant*. Penguin.

XI

Need to establish task-forces

45. The various observations we have made in this Report indicate the lines of approach to achieve greater economy in public expenditure without sacrificing, and indeed while improving, efficiency. Action in pursuance of the lines suggested above would require considerable detailed work, which a small, short-lived Commission like ours is not equipped to undertake. Indeed, in our judgement, any external agency recommending the kind of changes which we have in mind may meet with resistance from the departments and services concerned. It would be much better if Government as a whole considered our recommendations and approved of certain lines of action which each department could then be called upon to follow. Thereafter task-forces should be set up to work out the details and implement them.

XII

Summary of conclusions and recommendations

46. The following is a summary of our conclusions and recommendations :—

- (1) A study of trends in Central Government expenditure is forwarded with this report as Enclosure I. The present report is confined to some preliminary observations. A more thorough study by other agencies and task forces is necessary.

(Paras 1—3)

- (2) There are no easy routes to economy. Nothing is gained by the stereotyped economy instructions which render an already inefficient machinery still more inefficient, result in infructuous additions to work and cut across the delegated authority of the Ministries. They also tend to be directed against non-Plan expenditure under the mistaken impression that this is non-developmental though much of it is committed expenditure arising from Plan scheme, and leave untouched the entire area of Plan expenditure which needs a close review from the point of view of economy.

(Paras 4—7)

- (3) The Report of a Working Group which went into the problem of proliferation of staff and some related matters and made a detailed examination of the working of the Department of Agriculture and the Central Excise Department is forwarded with this Report as Enclosure II. Its findings and recommendations should be considered inter-departmentally.

(Paras 8—10)

(4) (a) The reasons for the increase in the number of Government employees are : (i) an enlargement of the area of governmental activity (ii) Government's working methods and procedures, and (iii) weaknesses in the organizational framework arising from ancient staffing pattern.

(Paras 11—12)

(b) The annual ritual of the extension of temporary posts from 1st March serves no useful purpose. New posts should be sanctioned for the periods needed say, six months or one year or longer as the case may be (cutting across the limit of the financial year), and should automatically lapse if not renewed after a careful review.

(Paras 13—15)

(5) (a) In considering the recommendations in our other Reports on industrial approvals, etc., the savings in public expenditure which would result from giving up activities and controls which no longer have the relevance which they might once have had, should also be taken into account.

(Para 16)

(b) Each new activity need not be the occasion for the creation of a new agency. Whenever possible an additional activity should be entrusted to an existing agency. Both in respect of offices overseas and in respect of activities within the country such as family planning, child welfare, public health, etc., at the ground level, there is need to review the multiplicity of agencies, eliminate duplication and provide for integrated functioning. (Para 17)

(c) Whenever a new line of activity is to be taken up, its implications in terms of staff requirements should be considered. Whatever the justification for the continuous expansion of governmental activities in the past, the time has come when a much stricter attitude towards the undertaking of any new activity is needed.

(Para 18)

(6) Government's working methods and procedures need to be reviewed with a view to minimising duplication, over-centralization, and excessively high-level clearances. Some examples of these are given in the body of the Report. Ministers and Secretaries should be relieved of the burden of dealing with detailed clearances. Public sector organizations and statutory corporations should be allowed greater operational freedom, and the need for Governmental approvals or clearances for their action should be minimised; where this is necessary and unavoidable, the examination should start at a high level in the Ministry.

(Paras 19—21)

(7) (a) There should be within the Ministry only one preliminary examination of a proposal before a decision, and this should be not at the lowest level but at the lowest appropriate level at which the kind of examination which is necessary can be carried out. Cases coming from public sector agencies should be received and examined at the level of Joint Secretary or higher.

(Paras 22--25)

(b) The process of delegation of authority from the upper echelons of Government to lower ones has to be supplemented and reinforced by similar delegations from one Department to another in respect of various matters, similar to the delegation already made in the sphere of financial control (Paras 26—30)

(c) Specialised Departments such as the Department of Science and Technology and the Department of Environment should not get involved in the clearance of individual cases but should confine themselves to formulating policies and guidelines which can be taken into account by the Ministries concerned with individual projects.

(Para 31)

(d) Immediate consideration should be given to limiting the number of cases which require clearances from many different departments, either by appropriate delegations of authority or by setting up bodies similar to the Licensing Committee where joint consideration and final clearance can be given.

(Para 31)

(8) (a) The pyramidal structure with a very wide base and a narrow apex, coming down from the British days, is no longer appropriate. Under present conditions, fewer posts at lower levels and more posts at higher levels would lead to greater economy and efficiency.

(b) At the clerical levels, the work should be less rigidly divided into distinct compartments such as diarising, despatch, typing, record-keeping, etc., so that the total quantum of work can be attended to by fewer people.

(c) A restructuring which would increase the number of officers and reduce the clerical levels would not necessarily result in the reduction of employment opportunities. In any case, the creation of new desk jobs in the Central Government as an instrument of generating employment would be a mistake, considering particularly the cost of an employee in the Central Government. Surpluses thrown up by efforts to reduce the staff requirements of different Departments can be absorbed in filling the vacancies which do arise. Reductions in numbers can also be gradually achieved by a reduction in recruitment to different Services each year.

(Paras 32—38)

(9) (a) A re-examination of the multiplicity of different Services, some sharing common professional back grounds and skills, might indicate possibilities of economy. The possibilities of merging certain Services may also merit consideration.

(Para 39)

(b) For certain purposes, particularly for technical, professional and scientific advice to Government it may be much better to recruit persons with ability and experience from outside the Government and make corresponding cuts in the strength of the Service concerned.

(Para 40)

(10) Pending structural and organizational changes and changes in personnel policies, we should be on the look-out for possibilities of economy in various supplies and services and administrative arrangements which support Governmental functioning. Some instances of these are given in the body of the report. However, what is needed is not *ad hoc* economy instructions but detailed professional techno-economic studies of particular needs and services by expert groups.

(Paras 41—44)

(11) Action on the lines suggested in this Report (if approved by the Government) would require considerable detailed work which could best be entrusted to task-forces set up for the purpose.

(Para 45)

I

The objectives of this paper are to analyse the trends in the growth of Central Government expenditure and of its components in relation to national income (GNP), to examine the major directions in which expenditure has grown and to identify the sources of increase in expenditure over the years covering the period 1960-61 to 1980-81. Growth over the period 1970-71 to 1980-81 is also studied, where necessary in addition to the analysis of the increase over the 20-year period, in order to gain an idea of the more recent trends.

2. For the purpose of the study, total government expenditure is defined to include (i) current expenditure on wages and salaries and on goods and services (ii) capital formation and (iii) transfers including interest payments. However, in certain places, where the economic or functional breakdown of expenditure is analysed, financial investment by Government is also included.¹

3. Table 1 shows the shares of total Central Government expenditure and of its components in gross national product in selected years. The share of total expenditure rose from 8.42 per cent of GNP in 1960-61 to 12.16 per cent in 1980-81. Thus, a growing proportion of national income was absorbed by Central Government expenditure. But it may be noted that the share of current expenditure on wages, goods and service (=consumption of the government sector) remained more or less stagnant after 1965-66 and that government capital formation fell after that year, so that the total of Government's expenditure on consumption and capital formation was lower in 1980-81 than in 1965-66. The rise in the share of Government's expenditure in GNP is thus solely due to the much faster rise in Government's transfers consisting of interest payments, grants and subsidies. We shall examine the role of each of these components in a later section.

4. It is instructive to consider the rate of growth of Government expenditure in current and constant prices. Over the period 1960-61 to 1980-81, total Government expenditure (excluding financial

1. Net financial investment is generally excluded because such investment only makes available funds to the non-Government sector which would lead to reinvestment there. That would be counted as private investment in the national accounts.

investments and loans) in current prices increased at 12.8 per cent compound as against the growth rate of 10.9 per cent for GNP (Table 2). In constant (1970-71) prices, the growth of expenditure was 4.84 per cent per annum as against 3.65 per cent for GNP. It is found that, over the 20-year period, all economic components of Government expenditure except investment in plant and equipment and construction increased faster in real terms than GNP. The component growing the fastest in real terms was 'subsidies' (15.5 per cent), followed by capital grants (8.2 per cent) and interest (7 per cent). It is clear that a shift was taking place in the pattern of Government expenditure—away from direct expenditure on labour and goods and towards transfers and interest payments. Nevertheless, during this period, expenditure on wages and salaries increased at about 4.5 per cent per annum and on goods and services at about 4 per cent, with total current expenditure growing at 5.7 per cent per annum as against the GNP growth of 3.7 per cent.

5. During the period 1970-71 to 1980-81, the growth of total Government expenditure was faster in both nominal and real terms than during the longer period from 1960-61 to 1980-81: the rate of growth of Government expenditure at constant prices was as high as 6.1 per cent as against the growth of real income a 3.3 per cent. But Government's current expenditure on wages and goods grew at a lower rate than in the longer period and than the rate of growth of real income. The shift in the pattern of expenditure became more pronounced during this period, the growth impulse emanating from current and capital transfers. Current transfers increased at about 10 per cent per annum (with subsidies growing at 26.7 per cent) and capital transfers at also 10.5 per cent. Current transfers, however, have been quantitatively more important and they constitute the most important factor underlying the fast growth of expenditure during the decade of the seventies.

6. The ratios of the rates of growth of current account expenditure under different functional categories to the rate of growth of GNP during 1973-74|1966-67, 1980-81|1973-74 and 1980-81|1966-67 are presented below. A value of the ratio less than 1 shows that the expenditure under that particular category has grown at a lower rate than GNP; conversely, a value higher than 1 indicates that the expenditure has grown faster than GNP.

	1966-67 to 1973-74	1973-74 to 1980-81	1966-67 to 1980-81
1	2	3	4
General Services other than Defence	1.99	0.14	0.28
Defence	0.99	0.94	0.85
<i>Social Services</i>			
Education	1.23	1.39	1.53
Medical & Public Health	2.78	2.09	1.81
Other Social Services	2.67	1.76	1.44

1	2	3	4
<i>Economic Services</i>			
Agriculture	(—)	9.51	4.14
Industry	0.58	4.00	2.62
Transport & Communications	1.75	3.35	1.99
Other Economic Services	2.61	6.51	3.75
<i>Others</i>			
Block Grants	0.18	4.83	2.48
Unallocable	0.77	2.21	1.88
Total Current Account	1.18	2.04	1.58

7. It is seen that the ratio for the period 1980-81|1973-74 was more than 2 signifying that current expenditure during the period was growing more than twice as fast as GNP. The rate of growth during this period is seen to be much higher than during the period 1973-74|1966-67 for which the corresponding ratio was only 1.2. Taking the period 1980-81|1966-67, while the ratio for total expenditure was 1.6, the ratio for general services as well as for defence services was less than 1; ratios for all other services were greater than 1. It is seen that the ratios are particularly high for agriculture (4.1), other economic services (3.8), industry (2.6) and block grants (2.5), for the same period.

II

8. We have identified above those components of Central Government expenditure which have grown faster than GNP. As a result of the differing growth rates witnessed, the composition of Government expenditure in terms of economic classification changed considerably. If we exclude loans and other financial investments, we find that the share of current expenditure increased substantially from about 70 per cent (1960-61) to 79 per cent (1980-81); on the other hand, the share of capital formation fell from 24.7 per cent in 1960-61 to 12.5 per cent in 1980-81 (Table 3). The former was mainly due to the increase in subsidies and interest payments, while the latter was mostly due to the fall in Government construction.

9. The share of Government's current expenditure on wages and goods (consumption) rose upto 1970-71 and fell only thereafter; it is only then that subsidies became substantial. As of 1980-81, current transfer payments constituted around 45 per cent and all transfer payments (current and capital) 53.7 per cent of total Government's expenditure exclusive of financial investments. That is, more than 50 per cent of Central Government expenditure consists of transfers to other sectors (including, of course, autonomous Central institutions such as UGC).

10. If Government's expenditure inclusive of financial investments is considered, all transfers (current and capital account) and financial investment and loans together are seen to account for 68.5 per cent (1980-81) of total "expenditure" (Table 4). The corresponding percentage was 55.0 in 1960-61. Thus, the Central Government's own "real" expenditure that directly absorbs labour, services and goods forms less than 32 per cent of the total including financial investments. The greater part of the resources raised by the Government on revenue and capital accounts is being made available to State Governments, autonomous institutions, public sector undertakings and private parties.

11. Of the 68 per cent or so of the resources made available to other sectors to spend, the share of financial investments has declined since 1965-66 and that of transfers, both current and capital, has increased. Of the total transfers, the share of current transfers far outweighs that of capital transfers : 30.7 per cent as against 5.8 per cent.

12. What is the relative importance of the different forms of transfers ? We find that grants (current and capital) constitute the largest component (16 per cent out of the total 36.5 per cent), followed by interest payments (10 per cent) and subsidies (8.5 per cent).

13. Since as much as 68 per cent of Central Government expenditure consists of transfers and loans, any study of efficiency and economy in Central Government expenditure would have to examine questions such as the efficiency with which the grants and loans programmes are administered, the orders of priority to be accorded to the various programmes in the context of scarce national resources, and the efficiency with which the recipient bodies are making use of the funds given. Thus, in a sense, Central Government expenditure cannot be studied in isolation from the activities of the other segments of the public sector to whom mostly the funds are transferred. Nevertheless, we notice that Central Government's consumption expenditure constitutes 33.8 per cent of the total expenditure, excluding financial investments, and 23 per cent of the total including them. And it accounts for more than 4 per cent of GNP. Although this proportion has remained more or less stagnant since 1965-66, it is large enough to warrant a detailed analysis of the essentiality of different elements of expenditure and the ways in which greater efficiency can be achieved in civil and military expenditure.

14. The functional classification of Central Government expenditure, which brings out the directions in which (or the purposes for which) different amounts of expenditure are incurred, is available only from the year 1966-67. Table 5 gives the functional distribution for selected years. Interest attaches particularly to the distribution of expenditure on current account. In 1966-67, the two largest functional components of expenditure on current account were defence services (38.9 per cent) and unallocable items (29.4 per cent). The latter largely consisted of interest payments, subsidies on food and other consumer items and grants-in-aid to the States. Next came general administration absorbing 10.6 per cent of the total current expenditure. Thus, defence, general administration, interest payments and consumption subsidies plus general grants-in-aid to States accounted for as much as 79 per cent of current expenditure in that year. Industry and agriculture absorbed 6 per cent and 5 per cent, respectively.

15. It is noticed that the share of defence services diminished after 1970-71 and was slightly less than 30 per cent in 1980-81. The share of general administration has also gone down since 1970-71, while the share of unallocable items decreased in 1970-71 and thereafter rose to attain in 1980-81 more or less the same level as in 1966-67. If one compares the two end years, one finds the pattern of expenditure on current account shifted in favour of economic services (particularly agriculture & industry) and block grants and loans. As we shall see later, the increase in expenditure under agriculture and industry was mainly due to increased subsidies on fertilizers and exports.

16. Table 6 gives the rate of growth of Central Government expenditure under different functional heads, taken at constant prices, and compares them with the growth rate of GNP. It will be seen that during the period 1966-67 to 1980-81, *Current expenditure* under every functional category increased faster than GNP, except general service (general civil administration) and defence services as also transport and communications. The growth rates of expenditure under economic services, block grants and 'unallocable' were quite high (ranging from 4.7 to 7.6 per cent) as compared to the GNP growth rate of 3.8 per cent. And total current expenditure increased at 6.0 per cent per annum. If a shorter period, 1973-74 to 1980-81, is taken, it is found that expenditure under most functional categories increased even faster than in the longer period considered, while the rate of growth of GNP in that period was only slightly higher. Although it is known that a good part of the increase in expenditure under such heads as agriculture, industry and unallocable is accounted for by increases in subsidies or interest payments, given the extremely high rates of growth of expenditure under economic

services, education, medical and public health and unallocable, it is essential that a detailed study should be made to find out all the major factors contributing to the phenomenal rates of growth of several components of Government expenditure. It is obvious that given a rate of growth of real GNP around 4 per cent per annum, Government expenditure cannot be allowed to grow far in excess of that rate indefinitely.

Table in the Appendix shows the distribution of Central Government expenditure according to economic categories under each functional head (services) for the year 1966-67, 1973-74 and 1980-81. While all expenditure under defence services is treated as consumption, in respect of others we find the following :

- (i) Expenditure under general services comprised mainly consumption expenditure, and financial investment and loans. The share of consumption expenditure was below 40 per cent in 1966-67 but increased to more than 50 per cent in the latest years ;
- (ii) Under social services, as much as 85 per cent of expenditure consisted of current expenditure in 1966-67 which increased to more than 95 per cent in the later years, and transfer payments alone accounted for about 75 per cent. In the case of medical and public health, the share of current expenditure in total increased from over 55 per cent in 1966-67 to over 83 per cent in 1973-74 and to over 98 per cent in 1980-81, transfer payments accounting for the major portion. As for other social services the present share of capital expenditure (consisting of gross capital formation, transfers and financial investments) was considerable, i.e., around 40 per cent.
- (iii) Among economic services under agriculture, the share of transfer payments, which was about 20 per cent in 1966-67 and 1973-74 increased to more than 50 per cent in 1980-81. The other major economic category under agriculture, was constituted by financial investments and loans, whose share declined from 67.4 per cent in 1966-67 to 42 per cent in 1973-74 and 30 per cent in 1980-81. In the case of industry more than three-fourth of expenditure is accounted for by capital expenditure, and financial investments and loans constituted as much as 90—95 per cent of total expenditure under transport and communications and capital formation alone accounted for 70 to 80 per cent.
- (iv) Block grants and loans provided by the Central Government were mainly of capital nature ; and
- (v) Expenditure that is classified as unallocable under functional categories (including mainly interest payments, subsidies

on food, edible oils and cloth, and grants to state governments), consisted mainly of transfer payments, the rest being accounted for by financial investments and loans.

17. The growth of Government expenditure can also be analysed from the point of view of how increases in revenues are distributed among, or absorbed by, expenditure of different categories. Four periods have been chosen to study the allocation of incremental revenue; three short periods, 1966-67 to 1970-71, 1970-71 to 1975-76, 1975-76 to 1980-81 and a longer period, 1970-71 to 1980-81. The results are presented in Table 7. In the first period, 1966-67—1970-71, 84 per cent of the increase in revenue was absorbed by increase in current expenditure, with 16 per cent of the additional revenue being saved. The largest share of the increase in revenue was accounted for by defence services (35.4 per cent), followed by general services (17.1 per cent) and block grants (13.8 per cent). In the next period (1970-71 to 1975-76), the shares of defence and general services fell while that of unallocable (interest payments etc.) increased considerably. This trend continued in the next period, 1975-76 to 1980-81, and the unallocable items accounted for 39 per cent of the increase of revenue. Over this period, the increase in current expenditure exceeded that in current revenue, resulting in dis-saving to the extent of 25 per cent of the incremental revenue.

18. If we take a somewhat longer period 1970-71 to 1980-81, we get broadly the same picture as for the last period considered except that the rate of dis-saving is much lower. Taking an overall view, it can be stated that unallocable items, defence services, agriculture and industry (mostly due to subsidies in the last two cases) have been absorbing the greater part of the increases in revenue. It should be pointed out that even though the rate of growth of defence expenditure has been relatively low, it has absorbed a sizeable proportion of additional revenue because the base year expenditure was fairly high.

IV

19. As we have seen, transfer payments have been among the fastest growing components of Central Government expenditure. The distribution of transfer payments on capital and current account and their relative magnitudes in relation to GNP are indicated in Table 8. Total transfers increased from 3.3 per cent of GNP in 1960-61 to 6.4 per cent in 1980-81. Out of the 6.4 per cent in the latter year, nearly 1.8 per cent was accounted for by interest payments, 1.5 per cent by subsidies and 1.9 per cent by current grants. Thus, these three components together amounted to 5.2 per cent of GNP. The relative magnitude of current grants has not increased much over the years, whereas interest payments and subsidies have registered a much faster increase than GNP: interest payments increased from 0.8 per cent of GNP in 1960-61 to 1.8 per cent in 1980-81 and subsidies from 0.2 per cent to 1.5 per cent in the same period. In this connection, it may be noted that the figure of 1.8 per cent of GNP does not denote the true burden of interest payments on the budget, because a good proportion of interest payments is made to the Reserve Bank of India, which comes back to the Government as profits of the Bank. Also, as against interest payments by the Government, there are also interest receipts, which should be netted against the former. On the other hand, the increase in subsidies causes a direct and proportionate increase in the burden on the budget. Hence, the purposes for which subsidies are given and the benefits derived must be subjected to careful scrutiny and regulation.

20. The amounts of subsidies given in different years from 1960-61 and under different heads since 1966-67 are presented in Table 9. It is seen that subsidies rose from only Rs. 26.3 crores in 1960-61 to Rs. 1,911.7 crores in 1980-81 and was expected to rise to Rs. 2052 crores in 1982-83. Subsidies increased at a very high rate under all the four categories shown in the Table. Between 1966-67 to 1982-83, the highest rate of increase was in the category "others" (sixteen times) followed by "exports promotion" (eleven times) and "fertilizer" (ten times) and "food" (eight times).

21. The distribution of subsidies by purpose is shown in Table 10. The information is summarised below :

Distribution of Subsidies

(per cent of total)

	1966-67	1970-71	1973-74	1976-77	1980-81
1. General services other than defence

	1966-67	1970-71	1973-74	1976-77	1980-81
2. Social Services	..	0.32	0.03	0.26	0.37
(i) Medical and public health	..	..	..	0.14	0.09
(ii) Other social services	..	0.32	0.03	0.12	0.28
3. Economic services :	55.59	80.57	30.28	46.31	61.53
(i) Agriculture	21.72	0.11	0.22	6.33	26.54
(ii) Industry	33.63	78.56	28.84	39.73	29.42
(iii) Transport & Communications	0.24	1.70	1.16	0.24	5.44
(iv) Other Economic Services	..	0.20	0.06	0.01	0.13
4. Others including Unallocables	44.41	19.11	69.69	53.43	38.10
5. Total	100.00	100.00	100.00	100.00	100.00

22. It is seen that subsidies are given mostly under economic services and "others and unallocables". Under economic services, industry and agriculture get most of the subsidies, while under unallocable, subsidies are given mostly in relation to consumption articles (food, textiles, edible oils, etc). The share of unallocable subsidies has fluctuated over the years, but it has come down since the mid-seventies. The share of subsidies under economic services fluctuated during the sixties and diminished in the first half of the seventies. It started rising since 1977-78, with the increasing fertilizer subsidies under agriculture. As of 1981, economic services accounted for 61.5 per cent of all subsidies, of which the share of agriculture and industry amounted to 56 per cent, the rest of the 5.5 per cent going to transport and communications.

23. How fast subsidies grew in comparison to Central Government expenditure is revealed from their growing share in total current expenditure, as given below :

Share of Subsidies in Central Government Current Expenditure in per cent

1965-66	2.58
1970-71	3.23
1980-81	15.82
1982-83	12.95

Increments in subsidies absorbed an increasing proportion of incremental revenues of the Central Government as seen below :

	1965-66 over 1960-61	1970-71 over 1965-66	1975-76 over 1970-71	1982-83(BE) over 1975-76
Subsidy				
(%) Revenue	1.7	5.0	9.0	17.7

24. Considering the above figures and noting that increasing subsidies are one of the major factors in the growth of Central Government expenditure and also that food and exports together account for 50-60 per cent of total subsidies, an attempt has been made to relate the two subsidies to the relevant functional variables : private consumption expenditure on cereals and cereal substitutes in the case of food subsidy ; and export levels in the case of export subsidy both at current prices.

25. Table 11 relates food subsidy to private consumption expenditure on food. Per hundred rupees of food expenditure, the subsidy was only 21 paise in 1970-71 ; and it increased to Rs. 2.11 by 1973-74. Although it fell to Rs. 1.65 in 1975-76, it rose to Rs. 3.79 in 1976-77. In recent years, it has remained above Rs. 3. Thus food subsidies seem to have stabilised at a level somewhat above 3 per cent of private consumption expenditure on food.

26. Table 12 relates to export subsidies to the total value of exports—Subsidy per thousand rupees of exports was Rs. 39.8 in 1966-67 and gradually fell (with some ups and downs) to Rs. 24 in 1974-75. The period of substantial increase in export subsidy began after that year. In 1978-79, export subsidy amounted to Rs. 65.6 per thousand rupees of export value. Thereafter, the subsidy level seems to have stabilised around Rs. 60 per thousand rupees of export value, i.e., at around 6 per cent.

27. This Section reports the results of the analysis of the growth of Central Government employees¹ and of the expenditure on pay and allowances. Data on the former are available for a fairly long period, but those on the latter could be obtained only for the the years 1974-75 to 1981-82. The aim of the study has been to trace the growth in employment in Central Government and the changes in its structure and to isolate the growth of expenditure on account of the increase in employment from that arising from adjustments in pay and allowances for inflation.

28. Table 13 gives the number of Central Government civil employees in the years 1961-62 to 1981-82. The number of employees increased from 6.11 lakhs in 1961-62 to 13.04 lakhs in 1981-82, i.e. it more than doubled during 20 years, giving an annual rate of growth of 3.36 per cent. The rate of growth of employment was higher during the sixties (4.4 per cent) than during the seventies (2.9 per cent), it may be noted that employment in Central Government has been growing faster than the population of the country. It has also grown faster than employment in the State Governments. *Prima facie* this goes against expectations, because the major part of the increase in Central Government expenditure has taken the form of transfers and loans, while the State Governments have been required to increase their 'real' expenditure in such fields as education, health, social services etc.

29. All Central Government employees are classified according to the status (gazetted/non-gazetted) and classes of post which ran through I to IV upto March, 1976 and later from A to D. Table 14 shows the changes in structure according to status and Table 15 brings out the picture of the employment pyramid for the period 1971-80 for which data could be readily obtained.

30. Table 14 shows that the non-gazetted employees constitute the bulk of total employment. They include employees of classes D and C and some employees of the B class, that is, they cover officers below the rank of Under Secretary and Section Officer in respect of secretarial services and officers below Research Officer and Scientist in respect of technical services. Their percentage share has remained more or less constant around 95 per cent during the period studied. The slight decrease in the share noticeable is due to the stoppage of recruitment of Class D employees (messengers).

1 Central Government employees are defined to include all regular employees of Civil departments and 'Defence Civilians' but to exclude employees of the Railways and the P&T Departments.

31. During the period 1971--80, the share in total employment of A and B class officers increased more than the share of C class officers. Thus, while the shares of the first two classes of officers increased at more than 3 per cent per annum, the share of C class officers increased only at 0.6 per cent and that of D class officers decreased at 1.5 per cent.

32. Since the number of officers belonging to the different categories have grown at different rates, there has been some change in the structure of employment in Government. This change may be studied in terms of the ratio of lower level officers to those in higher levels. This ratio reaches the number of officers at the lower levels servicing one officer at the highest or higher levels. These ratios are presented in Table 16. The following conclusions may be drawn :

- (i) The number of lower level officers in B, C and D classes taken together serving 100 A class officers decreased from 4467 in 1972 to 3386 in 1980. However, it may be noted that even now for each class A officer, the supporting staff of all categories amounts to around 34. The ratio of class C officers to class A and B officers went up till 1973 and thereafter more or less steadily declined. In 1980, there were 710 class C officers per 100 of class A and B officers taken together. The ratio of class B to class A officers, however, does not show any trend; while it has been fluctuating, the level in 1980 is more or less the same as in 1971 viz. 174 class B officers per 100 to class A officers.
- (ii) Appendix Table A-2 gives the corresponding ratios for 9 selected Ministries of the Central Government for 1971, 1975 and 1980. It will be noticed that there are wide variations in the ratios as between the different Ministries, which may be partly explained by differences in the nature of the work performed.

33. Growth in wage expenditure covering pay and allowances of Central Government employees (excluding defence personnel and employees of Railways and P&T Departments), data for which were collected from the Pay Research Unit of the Department of Expenditure, has been studied to isolate the increase in expenditure attributable to inflation i.e., the increase in expenditure caused by increase in D.A. and the inflationary element in TA and LTC. Such data could be obtained for the period 1974-75 to 1981-82. Taking 1974-75 as the base year, the expenditure on pay and allowances in subsequent years has been adjusted to obtain the amount of expenditure that would have been incurred in the absence of inflation adjustments. Thus, the difference between the actual expenditure in one year and the adjusted expenditure in the subsequent year is the increase in expenditure that would have taken place but for increases in D.A. etc.

34. Table 17 gives the actual and adjusted expenditures for the years 1974-75 to 1981-82 along with the figures of the percentage share of increase in expenditure attributable to inflation adjustment. It is seen that the growth rate of 'adjusted' wage expenditure works out to be substantially lower at 5.4 per cent than the growth rate of actual expenditure at 8.7 per cent. The wage bill per employee increased from Rs. 5920 in 1974-75 to Rs. 9497 in 1981-82 giving an annual growth rate of 5.8 per cent; whereas the adjusted wage bill per employee increased from Rs. 5920 to Rs. 7334 during the same period giving a growth rate of only 2.6 per cent.

35. During the 8 years studied, the increase in pay and allowances due to inflation adjustments works out on an average to around 49 per cent of the total annual increase. But this average has been pushed up because of an abnormally high figure for one year (1978-79). In 5 out of the 7 years, the increase due to other causes such as increased staff, increments etc., has accounted for more than 55 per cent of the total increase of pay and allowances.

VI

36. Taking the period 1970-71 to 1980-81, an attempt has been made to quantify the relative contributions made by different factors to the growth in Central Government current expenditure. For this purpose, the increase in the wage bill for government employees has been broken down into :

- (a) increase in the number of employees;
- (b) increase in emoluments absorbed by the rise in prices;
and
- (c) increase in real wage per employee.

The increase in the expenditure on goods and services has been broken down into increase in the quantum of goods purchased and increase in prices. Similarly, the increase in transfer expenditure has been broken down into increase in real transfers and the residual.

37. Table 18 reproduces the results of our exercise. It is seen that of the total increase in real current expenditure (on wages and goods) the rise that can be attributed to inflation accounts for as much as 86.8 per cent of the total. In the case of transfers, 68.6 per cent of the total increase was neutralised by the rise in prices. As regards the increase in the expenditure on wages and salaries, increase in employment contributed 20.4 per cent, increase in prices 83.7 per cent and rise in real wages (—) 4 per cent (because of the decline in the average real wage).

TABLE 1

Ratio of Selected Components of Central Government Expenditure to Gross National Product (at market prices)

(in per cent)

Item	1960-61	1965-66	1970-71	1975-76	1980-81
(1)	(2)	(3)	(4)	(5)	(6)
1. Wages and Salaries	1.65	2.18	2.10	2.51	1.95
2. Commodity and Services	1.41	2.45	2.07	2.16	2.16
2a. Consumption Expenditure (1+2)	3.06	4.63	4.17	4.67	4.11
3. Plant & equipment	0.55	0.70	0.37	0.58	0.54
4. Construction	1.46	1.59	0.84	0.71	0.85
5. Increase in inventories	0.07	(—)0.12	0.09	0.34	0.13
5a. Gross Capital Formation (3+4+5)	2.08	2.17	1.30	1.63	1.52
6. Total Consumption and Capital Formation (2a+5a)	5.14	6.80	5.47	6.30	5.63
7. Transfers (capital & current)	3.28	3.70	3.58	4.81	6.53
8. Total expenditure including transfers (6+7)	8.42	10.50	9.05	11.11	12.16
9. Gross National Product*	100.00	100.00	100.00	100.00	100.00

*At current market prices

TABLE 2

*The Annual Rate of Growth of Central Government Expenditure
and its components*

In percent per annum)

Sl. No.	1960- to 1980-81		1970-71 to 1980-81		
	Unadjusted (current prices)	Adjusted@ (constant prices)	Unadjusted (current prices)	Adjusted constant prices)	
(0)	(1)	(2)	(3)	(4)	(5)
1. Wages and Salaries	12.24	4.48	11.00	2.68	
2. Goods and Services	11.72	3.99	11.34	3.00	
3. Consumption Expendi- diture (1+2)	11.97	4.22	11.16	2.83	
4. Interest	14.97	7.02	18.12	9.27	
5. Subsidies	24.05	15.47	36.97	26.70	
6. Grants	12.86	5.05	14.00	5.45	
7. Other Current Transfers	14.68	6.75	14.30	5.73	
8. Total Current Transfers (4+5+6+7)	15.36	7.30	17.89	10.06	
9. Total Current Expenditure (3+8)	13.58	5.72	15.50	6.45	
10. Total Capital account expenditure.	11.65	3.40	14.05	3.99	
11. Plant and equipment	9.82	1.91	14.73	4.61	
12. Construction	6.31	(—)1.53	11.66	1.81	
13. Capital Grants	16.85	8.23	21.23	10.54	
14. Total Central Govern- ment Expenditure (Excluding financial investment and loans to the rest of the economy)	12.76	4.84	15.05	6.10	
15. Gross National Product at Market Prices	10.94	3.65	12.02	3.31	

@Current account expenditure components have been deflated by the GDP deflator. The Capital account components have been deflated by the gross capital formation deflator.

TABLE 3

*Economic Composition of Central Government Expenditure
(Current prices)* : Selected Years*

(as per cent of total)

	1960-61	1965-66	1970-71	1975-76	1980-81
1. <i>Consumption Expenditure</i>	<u>36.33</u>	<u>44.11</u>	<u>46.09</u>	<u>42.02</u>	<u>33.82</u>
1.1 Wages & Salaries	19.56	20.80	23.16	22.6	16.07
1.2 Goods & Services	16.78	23.31	22.93	19.40	17.75
2. <i>Current Transfer payments</i>	<u>33.78</u>	<u>29.98</u>	<u>34.21</u>	<u>36.78</u>	<u>45.19</u>
2.1 Interest	10.02	10.42	11.93	11.72	14.74
2.2 Subsidies	2.06	1.90	2.59	5.73	12.50
2.3 Grants	19.87	16.31	18.03	17.37	15.82
2.4 Other current transfers	1.83	1.35	1.66	1.96	2.13
3. <i>Total Current Account (1+2)</i>	<u>70.11</u>	<u>74.09</u>	<u>80.30</u>	<u>78.80</u>	<u>79.01</u>
4. <i>Gross Capital Formation</i>	<u>24.72</u>	<u>20.67</u>	<u>14.34</u>	<u>14.68</u>	<u>12.47</u>
4.1 Plant & Equipment	6.59	6.68	4.14	5.19	4.47
4.2 Construction	17.33	15.15	9.26	6.38	6.99
4.3 Increase in inventories	0.80	(—)1.16	0.94	3.11	1.01
5. <i>Capital Transfers</i>	<u>5.17</u>	<u>5.24</u>	<u>5.36</u>	<u>6.52</u>	<u>8.52</u>
5.1 Capital Grants	4.06	4.53	5.05	5.71	7.69
5.2 Other Capital Transfers	1.11	0.71	0.31	0.81	0.83
6. <i>Total Capital Accounts</i>	<u>29.89</u>	<u>25.91</u>	<u>19.70</u>	<u>21.20</u>	<u>20.99</u>
7. <i>Total Government expenditure (excluding financial investments)</i>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

*Excluding financial investments.

TABLE 4

Economic Composition of Central Government Expenditure (Current prices)
Selected Years*

(as per cent of total)

	1960-61	1965-66	1970-71	1975-76	1980-81
1. <i>Consumption Expenditure</i>	<u>26.79</u>	<u>27.78</u>	<u>29.93</u>	<u>28.65</u>	<u>23.00</u>
1.1 Wages & Salaries	14.42	13.10	15.04	15.42	10.93
1.2 Goods & Services	12.37	14.68	14.89	13.23	12.07
2. <i>Transfer Payments</i>	<u>24.91</u>	<u>18.88</u>	<u>22.22</u>	<u>25.08</u>	<u>30.73</u>
2.1 Interest	7.39	6.56	7.75	7.99	10.02
2.2 Subsidies	1.52	1.20	1.68	3.91	8.50
2.3 Grants	14.65	10.27	11.71	11.84	10.76
2.4 Other Current Transfers	1.35	0.85	1.08	1.34	1.45
3. <i>Total Current Account</i> (1)+(2)	<u>51.70</u>	<u>46.66</u>	<u>52.15</u>	<u>53.73</u>	<u>53.73</u>
4. <i>Gross Capital Formation</i>	<u>18.23</u>	<u>13.02</u>	<u>9.31</u>	<u>10.01</u>	<u>8.48</u>
4.1 Plant & Equipment	4.86	4.21	2.69	3.54	3.04
4.2 Construction	12.78	9.54	6.01	4.35	4.75
4.3 Inventories (Works Stores)	0.59	(-)-0.73	0.61	2.12	0.69
5. <i>Capital Transfers</i>	<u>3.81</u>	<u>3.30</u>	<u>3.48</u>	<u>4.45</u>	<u>5.79</u>
5.1 Capital Grants	2.99	2.85	3.28	3.89	5.23
5.2 Other Capital Transfers	0.82	0.45	0.20	0.55	0.56
6. <i>Financial Investments</i>	<u>26.26</u>	<u>37.02</u>	<u>35.06</u>	<u>31.82</u>	<u>32.00</u>
7. <i>Total : Capital Account</i> (4 to 6)	<u>48.30</u>	<u>53.34</u>	<u>47.85</u>	<u>46.27</u>	<u>46.27</u>
8. <i>Total : (excluding Financial Investments)</i> (3+4+5)	<u>73.74</u>	<u>62.98</u>	<u>64.94</u>	<u>68.19</u>	<u>68.00</u>
9. <i>Grand Total (3)+(7)</i>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

*Including financial investment

TABLE

Functional Classification of Central Government Expenditure in selected years (Current Prices)

Functional Categories	(Percent of total)											
	1966-67			1970-71			1973-74			1980-81		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
<i>General Services</i>												
1. Services other than Defence	10.6	12.2	11.4	12.8	9.5	11.2	13.7	6.3	10.3	7.8	6.3	7.1
2. Defence Services	38.9	..	18.9	39.6	..	20.7	37.0	..	19.9	29.5	..	15.9
<i>Social Services</i>												
3. Education	3.3	0.6	1.9	3.1	0.7	2.0	3.2	0.2	1.8	2.7	0.2	1.5
4. Medical and Public Health	1.5	1.2	1.4	2.7	0.3	1.5	1.9	0.5	1.2	2.1	0.1	1.2
5. Other Social Services	4.1	2.4	3.3	3.4	2.7	3.0	5.1	3.5	4.4	4.1	3.3	3.7
<i>Economic Services</i>												
6. Agriculture	5.1	16.1	10.8	2.3	5.4	3.8	2.5	7.3	4.7	8.1	8.2	8.2
7. Industry	5.9	24.8	15.6	5.2	15.8	10.3	4.5	16.3	10.0	7.3	29.9	17.7
8. Transport and Communications	1.0	20.1	10.8	1.4	21.8	11.2	1.4	19.5	9.8	1.8	18.2	9.4
9. Other Economic Services	0.2	14.4	7.5	0.6	7.7	4.0	0.2	10.2	4.9	0.9	7.6	4.0
<i>Others</i>												
10. Block Grants & Loans	..	..	..	3.6	20.9	11.9	2.8	17.2	9.4	5.2	23.4	13.6
11. Unallocable	29.4	8.2	18.4	25.3	15.2	20.4	27.7	19.0	23.6	30.5	2.8	17.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 6

*Growth of the Central Government Expenditure (including Financial Investments) Under Functional Categories
(at Constant Prices) 1966-67 to 1980-81*

(Percentage Annual Compound Growth Rates)

Functional Category	1966-67 to 1973-74			1973-74 to 1980-81			1966-67 to 1980-81		
	Current Account	Capital Account	Total	Current Account	Capital Account	Total	Current Account	Capital Account	Total
1	2	3	4	5	6	7	8	9	10
1. General Services other than Defence	8.02	(—)2.82	3.44	0.57	2.04	1.49	3.15	(—)7.37	0.45
2. Defence Services	4.01	..	4.01	3.92	..	3.92	3.26	..	3.26
3. Education	4.98	(—)9.75	3.17	5.84	2.34	5.71	5.85	(—)11.36	4.18
4. Medical & Public Health	11.23	(—)14.26	5.50	8.74	(—)14.73	7.05	6.93	(—)17.93	4.21
5. Other Social Services	10.78	9.38	10.24	7.37	8.98	8.13	5.49	8.57	6.76
6. Agriculture	(—)0.42	(—)1.53	(—)1.22	39.83	1.71	14.39	15.82	2.57	7.60
7. Industry	2.35	(—)2.85	(—)1.82	16.74	10.29	11.63	10.01	7.06	7.68
8. Transport & Communications	7.06	1.80	2.07	14.03	3.52	4.45	7.61	1.83	2.28
9. Other Economic Services	10.54	5.00	5.04	27.29	5.12	6.63	14.31	4.19	4.97
10. Block Grants & Loans	0.73	** (—)2.10	(—)1.71**	20.24	13.93	15.08	9.47*	4.67*	5.48*
11. Unallocable	3.10	14.02	6.39	9.26	(—)9.46	4.82	7.18	(—)7.86	4.67
12. Total	4.75	2.37	3.57	8.55	5.54	7.20	6.04	3.42	4.83
13. GNP			4.04			4.19			3.82

*1967-68 to 1980-81

**1967-68 to 1973-74

Note: Current Account Expenditure is deflated by the implicit GNP deflator (1970-71 = 100) and capital account expenditure by the implicit deflator (1970-71 = 100 of Gross Capital Formation. The total is derived by adding current account and capital account expenditures so deflated.

Source of Data: Ministry of Finance, Government of India *An Economic and Functional Classification of the Central Government Budget* (various issues)

TABLE 7

Percentage share of the Incremental Expenditure on Current Account under Functional Categories in the TOTAL Incremental Revenue Receipts of the Central Government

(Per cent on incremental revenue)

Functional Categories		1970-71/ 1966-67	1975-76/ 1970-71	1980-81/ 1978-76	1980-81/ 1970-71
1	2	3	4	5	6
1. General Services other than Defence		17.1	8.2	5.0	6.5
2. Defence Services		35.4	28.9	26.9	27.8
3. Education		2.00	2.8	2.6	2.7
4. Medical & Public Health		5.8	3.4	0.7	2.0
5. Other Social Services		0.6	2.5	6.6	4.6
6. Agriculture		(—)6.4	1.5	18.9	10.5
7. Industry		2.5	5.4	11.1	8.4
8. Transport & Communication		2.3	1.1	3.1	2.1
9. Other Economic Services		1.8	0.7	1.3	1.0
10. Block Grants		13.8	2.4	9.3	6.0
11. Unallocable		9.3	28.2	39.3	34.0
12. Total		84.0	85.1	124.8	105.6
13. Incremental Revenue Receipts		100.0	100.0	100.0	100.0
14. Savings		16.0	14.9	(—)24.8	(—)5.0

TABLE 8

Transfer payments as per cent of Gross National Product (At current prices) for selected years

Items	1960-61	1965-66	1970-71	1975-76	1980-81
(1)	(2)	(3)	(4)	(5)	(6)
1. <i>Current Account</i>	2.84	3.15	3.10	4.09	5.38
1.1 Interest	0.84	1.10	1.08	1.30	1.75
1.2 Subsidies	0.18	0.20	0.24	0.64	1.49
1.3 Grants	1.67	1.71	1.63	1.93	1.88
1.4 Other Current Transfers	0.15	0.14	0.15	0.22	0.26
2. <i>Capital Account</i>	0.44	0.55	0.49	0.72	1.01
2.1 Capital Grants	0.34	0.48	0.46	0.63	0.91
2.2 Other Capital Transfers	0.10	0.07	0.03	0.09	0.10
3. <i>Total Transfers</i>	3.28	3.70	3.59	4.81	6.39

TABLE 9
Distribution of Subsidies—1960-61 to 1982-83

(In Rs. crores.)

Year	Total Subsidy	OF WHICH			Others
		Export Promotion and Development	Food	Fertilizers	
(1)	(2)	(3)	(4)	(5)	(6)
1960-61	26.3				
1961-62	27.8				
1962-63	49.0				
1963-64	56.7				
1964-65	62.3				
1965-66	47.5				
1966-67	205.0	46	91	43	25.0
1967-68	184.2	40	95	..	19.2
1968-69	51.0	34	..	..	17.0
1969-70	96.0	17	31	..	20.0
1970-71	94.2	41	18	..	35.2
1971-72	140.3	54	50	..	36.3
1972-73	203.6	62	117	..	25.6
1973-74	360.9	66	251	..	43.9
1974-75	410.2	88	295	..	36.2
1975-76	469.7	161	250	..	58.7
1976-77	947.8	269	506	..	172.0
1977-78	1286.8	327	480	266	213.8
1978-79	1474.9	375	570	342	187.9
1979-80	1821.2	361	600	603	257.2
1980-81	1911.7	399	650	505	357.7
1981-82	499.6	476	700	386	110.6
(Revised estimates)					
1982-83	2071.0	500	700	448	463.0
(Budget estimates)					

TABLE 10

Distribution of subsidies by Purpose (At Current Prices), 1966-67 to 1980-81

(Percentage share in total)

Year	Services other than Defence	Social Services			Agricul- ture	Industry	Economic Services			Other subsidies including unalloc- able amounts	Total Subsi- dies
		Medical & Public Health	Other	Total			Transport & commu- nications	Other Economic Services	Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1966-67		..	..	..	21.72	33.63	0.24	..	55.59	44.41	100.00
1967-68		..	..	..	1.23	36.58	0.58	..	38.39	61.61	100.00
1968-69		..	..	..	..	89.22	3.14	0.20	92.55	7.45	100.00
1969-70		..	..	..	0.10	64.79	2.92	0.10	67.92	32.08	100.00
1970-71		..	0.32	0.32	0.11	78.56	1.70	0.20	80.57	19.11	100.00
1971-72		..	0.64	0.64	..	60.94	2.85	0.14	63.93	35.42	100.00
1972-73		0.29	0.68	0.98	..	39.5	2.15	0.10	41.84	57.18	100.00
1973-74		..	0.03	0.03	0.22	28.84	1.16	0.06	30.28	69.69	100.00
1974-75		..	..	..	..	29.10	0.48	0.02	29.60	70.40	100.00
1975-76	0.02	0.13	0.02	0.15	0.09	45.90	0.37	0.02	46.58	53.25	100.00
1976-77	..	0.14	0.12	0.26	6.33	39.73	0.24	0.01	46.31	53.43	100.00
1977-78	..	0.08	0.14	0.22	20.71	38.74	0.02	0.01	59.47	40.31	100.00
1978-79	..	0.08	0.18	0.26	23.24	32.86	2.40	0.01	58.51	41.23	100.00
1979-80	..	0.05	0.20	0.25	33.13	25.18	5.02	0.09	63.42	36.33	100.00
1980-81	..	0.09	0.28	0.37	26.54	29.42	5.44	0.13	61.53	38.10	100.00

Source : Ministry of Finance, An Economic & Functional Classification, the Central Government Budget, various issues.

TABLE 11

*Growth of Private Consumption Expenditure on Food and Food Subsidy,
1970-71 to 1980-81*

Year	Private consumption expenditure on food and cereals substitutes)	Food subsidy	Food Subsidy in rupees per hundred rupees of consumption expenditure on food.
	(Rs. crore)	(Rs. crore)	
(1)	(2)	(3)	(4)
1970-71	8603	18	0.21
1971-72	8816	50	0.57
1972-73	9535	117	1.23
1973-74	11894	251	2.11
1974-75	16159	298	1.83
1975-76	15106	250	1.65
1976-77	13356	506	3.79
1977-78	16047	480	2.99
1978-79	16192	570	3.52
1979-80	15980	600	3.75
1980-81	20575	650	3.16

Source: 1. Col. 2 CS.O., *National Accounts Statistics* various issues.
2. Col. 3 Ministry of Finance, (Government of India). *An Economic and Functional Classification of the Central Government's Budget* (various issues).

TABLE 12

Growth of Exports & Exports Subsidy 1966-67 to 1982-83

Year	Value of Exports	Subsidy	Subsidy per thousand Rs. of exports (in rupees)
	(Rs. crores)	(Rs. crores)	
1	2	3	4
1966-67	1156.6	46	39.8
1967-68	1198.7	40	33.4
1968-69	1357.9	34	25.0
1969-70	1413.2	45	31.8
1970-71	1535.2	41	26.7
1971-72	1608.2	54	33.6
1972-73	1970.8	62	31.5
1973-74	2523.4	66	26.2
1974-75	3328.8	88	24.0
1975-76	4042.8	16.1	39.8
1976-77	5142.7	269	52.3
1977-78	5107.9	327	60.5
1978-79	8726.3	375	65.5
1979-80	6458.8	361	35.9
1980-81	6710.7	399	39.5
1981-82	7781.4	476	61.1
1982-83 (Est.)	8670.0	500	57.0

Source: 1) Col. 2 : DGCI&S

2) Col. 3 : *Economic & Functional Classification of the Central Government Budget, various issues.*

TABLE 13

Growth of Regular Employment in the Central Government 1961/62 to 1981/82

Year	Regular Employment in the Central Government : De- fence Civilians and other Departments (in lakh)
1	2
1961-62	6.11
1962-63	6.62
1963-64	7.53
1964-65	8.07
1965-66	8.28
1966-67	8.50
1967-68	8.68
1968-69	8.91
1969-70	9.10
1970-71	9.29
1971-72	9.54
1972-73	10.09
1973-74	10.57
1974-75	10.77
1975-76	11.10
1976-77	11.38
1977-78	11.59
1978-79	11.91
1979-80	12.27
1980-81	12.65
1981-82	13.04
Annual Compound Growth Rate (%)	
1960-61 to 1970-71	4.39
1971-72 to 1980-82	2.91
1960-61 to 1981-82	3.36

Source : *DGE&T, Ministry of Labour, Census of the Central Government Employees 1978*

TABLE 11

Growth and Composition of Central Government Employees (Defence Civilians and other Departments) by Status

Year	Gazetted		Non-Gazetted		Total in lakhs
	in lakhs	% share in total	in lakhs	% share in total	
	2	3	4	5	6
1971	0.42	4.47	8.98	95.53	9.40
1972	0.44	4.55	9.24	95.45	9.68
1973	0.47	4.48	10.01	95.52	10.48
1974	0.49	4.61	10.14	95.39	10.63
1975	0.51	4.68	10.39	95.32	10.90
1976	0.57	5.04	10.73	94.96	11.30
1977	0.58	5.07	10.87	94.93	11.45
1978	0.61	5.20	11.11	94.80	11.72
1979(E)	0.63	5.24	11.40	94.76	12.03
1980	0.66	5.34	11.69	94.66	12.35
% variation 1980/1971					
(annual compound)	5.29	2.26	2.83	(-)0.11	2.95

(E—Estimated)

Source DGE&T, Ministry of Labour, *Census of Central Government Employees*.
(Different Issues).

TABLE 15

Composition of Central Government Employees (Defence Civilians and other departments) by Group of post (% share)

As on 31st March	Groups				Unclassi- fied.	Total
	A	B	C	D		
1	2	3	4	5	6	7
1971	2.23	3.94	50.53	42.02	1.28	100.00
1972	2.17	4.13	52.69	40.08	0.93	100.00
1973	2.19	4.01	54.68	37.98	1.14	100.00
1974	2.35	3.95	54.66	37.72	1.32	100.00
1975	2.48	4.13	54.77	37.34	1.28	100.00
1976	2.57	4.07	55.75	36.19	1.42	100.00
1977	2.71	4.45	54.76	36.68	1.40	100.00
1978	2.81	5.46	54.22	36.15	1.36	100.00
1979(E)	2.82	5.15	54.78	35.99	1.26	100.00
1980	2.83	4.94	55.22	35.79	1.22	100.00
% Variation (annual com- pound) 1980/						
1971	3.51	3.37	0.64	(-)1.51	1.75	..

(E—Estimated)

Based on basic pay categories as follows :

A=Rs. 1300 and above.

B=Rs. 900 and above but less than Rs. 1300, however including assistants and stenographers grade 'C'.

C=Above Rs. 290 but less than Rs. 900

D=Below Rs. 290.

Source: DGE&T, Ministry of Labour, *Census of Central Government Employees (Different Issues)*

TABLE 16

Changing Group Relations Regarding Composition of the Central Government Employees, 1971-78*

Year (as on March)	Group Relations (per hundred)		
	B + C + D	C/A + B	B/A
	A		
(1)	(2)	(3)	(4)
1971	4300	818.97	176.19
1972	4467	836.07	190.48
1973	4404	881.54	182.61
1974	4096	867.16	168.00
1975	3885	829.17	166.67
1976	3741	840.00	158.62
1977	3542	764.63	164.52
1978	3406	655.67	193.94
1979(E)	3394	686.46	182.35
1980	3386	710.42	174.20

(E= Estimated)

*Defence civilians and other Central Government departments.

TABLE 17

Growth of Actual and 'Adjusted' Expenditure on Pay & Allowances of Central Government employees. (Excluding Defence Personnel & P&T), 1974-75 to 1981-82

Year	Expenditure on Pay and Allowances					
	Actual		Adjusted		Percentage share increase over the base year	
	Total (Rs. lakhs)	Per capita (Rs.)	Total (Rs. lakhs)	Per capita (Rs.)		
					Inflation adjustments	Residual
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1974-75	63761(E)	5920.24	63761	5920.24		..
1975-76	80666(E)	7262.21	71148	6409.73	56.3	43.7
1976-77	82435	7243.85	72172	6342.00	42.1	57.9
1977-78	87877	7582.14	75531	6517.34	38.2	61.8
1978-79	91181	7655.84	75924	6374.81	88.3	11.7
1979-80	98794	8051.67	80707	6577.59	36.6	63.4
1980-81	115376	9120.63	90964	7190.83	38.1	61.9
1981-82	123856	9496.63	95631	7333.67	45.0	55.0
Growth Rate (%) Annual Compound 1981-82 over 1974-75						
	8.71	5.83	5.39	2.61	..	..

E=Estimated.

TABLE 18

Share of Incremental Expenditure on Major Components in Total Increase in Central Government Expenditure (Current Account) 1980-81/1970-71

<i>Component</i>	<i>Rs. crores</i>	<i>%share</i>
<i>Wages and Goods and Services</i>		
—Increase in number of employees	146	5.6
—Increase in emoluments absorbed by the rise in prices	599	23.0
—Increase in real wages per employee	(—)29	(—)1.1
—Increase in quantum of goods and services	226	8.7
—Increase in prices of goods and services purchased	1660	63.8
Total increment	2602	100.0
<i>Transfer Payments</i>		
—Increase in prices eroding value of transfers	3878	68.6
—Increase in real transfer	1795	31.4
Total increment	5673	100.00

TABLE A. 1

Pattern (Current /Capital) of Central Government Expenditure under Functional Categories

(At current prices)

Functional Category	Percentage distribution			
	1966-67	1970-71	1973-74	1980-81
(1)	(2)	(3)	(4)	(5)
1. General Services Other than Defence				
A. Total Current Expenditure	45.2	59.4	71.7	58.7
i) Consumption	38.9	54.2	53.2	56.5
ii) Transfer payments	6.3	5.2	18.5	2.2
B. Total Capital Expenditure	54.8	40.6	28.3	41.3
i) Gross Capital formation	3.5	(-)-0.6	4.0	4.5
ii) Total Capital transfers	..	..	..	..
iii) All financial investments and loans *	51.3**	41.2**	24.3**	36.8**
C. Total expenditure (A+B)	100.00	100.00	100.00	100.00
2. Defence Services				
A. Total Current expenditure	100.00	100.00	100.00	100.00
i) Consumption	100.00	100.00	100.00	100.00
ii) Transfer payments	—	—	—	—
B. Total Capital Expenditure	—	—	—	—
i) Gross capital formation	—	—	—	—
ii) Total Capital transfers	—	—	—	—
iii) All financial investments and loans*	..	..	..	..
C. Total expenditure (A+B)	100.00	100.00	100.00	100.00
3. Education				
A. Total Current Expenditure	84.6	82.9	95.4	95.8
i) Consumption	11.8	16.7	19.6	20.8
ii) Transfer payments	72.8	66.2	75.8	75.0

(1)	(2)	(3)	(4)	(5)
B. Total Capital expenditure	15.4	17.1	4.6	4.2
i) Gross Capital formation	1.8	1.1	1.8	3.1
ii) Total Capital transfers	5.7	9.6	..	..
iii) All financial investments and loans*	7.9	6.4	2.8	1.1
C. Total expenditure (A+B)	100.00	100.00	100.00	100.00
4. Medical and Public Health				
A. Total current expenditure	55.3	91.5	83.2	98.2
i) Consumption	15.2	18.6	15.1	22.3
ii) Transfer payments	40.1	72.9	68.1	75.9
B. Total capital Expenditure	44.7	8.5	16.8	1.8
i) Gross capital formation	5.2	3.5	4.9	1.8
ii) Total capital transfers	10.7	0.1	11.5	..
iii) All financial investments and loans*	28.8	4.9	0.4	..
C. Total expenditure (A+B)	100.00	100.00	100.00	100.00
5. Other Social Services				
A. Total current expenditure	61.3	58.0	63.0	59.1
i) Consumption	25.2	35.0	21.5	27.2
ii) Transfer payments	36.1	23.0	41.5	31.9
Total capital expenditure	38.7	42.0	37.0	40.9
i) Gross capital formation	16.5	24.0	6.0	9.8
ii) Total Capital transfers	4.9	1.0	17.0	15.2
iii) All financial investments and loans.*	17.3	17.0	14.0	15.9
C. Total expenditure (A+B)	100.00	100.00	100.00	100.00
6. Agriculture				
A. Total current expenditure	23.1	31.7	28.5	53.5
i) Consumption	2.7	7.0	7.0	2.5
ii) Transfer payments	20.4	24.7	21.5	51.0

(1)	(2)	(3)	(4)	(5)
B. Total Capital Expenditure . . .	76.8	68.3	71.5	46.5
(i) Gross capital formation . . .	5.1	0.8	18.4	1.6
(ii) Total Capital transfers . . .	4.4	3.7	11.1	14.8
(iii) All financial investments and loans.* . . .	67.4	63.8	42.0	30.1
C. Total expenditure (A+B) . . .	100.00	100.00	100.00	100.00
7. Industry . . .				
A. Total current expenditure . . .	18.2	26.5	24.3	22.0
(i) Consumption . . .	3.9	5.2	6.1	4.0
(ii) Transfer payments . . .	14.3	21.3	18.2	18.0
B. Total capital expenditure . . .	81.8	73.5	75.7	78.0
(i) Gross Capital formation . . .	8.3	10.6	11.0	4.7
(ii) Total capital transfers . . .	2.2	1.6	3.8	2.0
(iii) All financial investments and loans.* . . .	71.3	61.3	60.9	71.3
C. Total expenditure (A+B) . . .	100.00	100.00	100.00	100.00
8. Transport & Communications . . .				
A. Total current expenditure . . .	4.4	6.4	8.0	10.5
i) Consumption . . .	4.0	5.2	6.0	3.8
ii) Transfer payments . . .	0.4	1.2	2.0	6.7
B. Total Capital expenditure . . .	95.6	93.6	92.0	89.5
i) Gross Capital formation . . .	79.5	59.9	69.9	70.5
ii) Total capital transfers . . .	12.4	7.7	4.1	2.7
iii) All financial investments and loans.* . . .	3.7	26.0	18.0	16.3
C. Total expenditure (A+B) . . .	100.00	100.00	100.00	100.00
9. Other Economic Services . . .				
A. Total current expenditure . . .	1.2	8.0	2.4	11.8
(i) Consumption . . .	0.9	3.7	2.0	6.4
(ii) Transfer payments . . .	0.3	4.3	0.4	5.4
B. Total Capital Expenditure . . .	98.8	92.0	97.6	88.2
(i) Gross Capital formation . . .	1.3	6.3	1.1	3.1
(ii) Total Capital transfers . . .	1.5	..	0.1	1.6
(iii) All financial investments and loans.* . . .	96.0	85.7	96.4	83.5
C. Total expenditure (A+B) . . .	100.00	100.00	100.00	100.00

1)	(2)	(3)	(4)	(5)
<i>Block Grants and Loans</i>				
10. A. Total current expenditure	—	15.9	15.9	20.4
(i) Consumption	—	..	..	..
(ii) Transfer payments	—	15.9	15.9	20.4
B. Total Capital expenditure	..	84.1	84.1	79.6
(i) Gross capital formation	..	..	..	..
(ii) Total capital transfers	..	15.9	15.9	20.4
(iii) All financial investments and loans*	..	68.2	68.2	59.2
C. Total expenditure (A+B)	..	100.00	100.00	100.00
11. <i>Unallocable</i>				
A. Total current expenditure	77.2	64.5	62.8	92.6
(i) Consumption	..	..	..	..
(ii) Transfer payments	77.2	64.5	62.8	92.6
B. Total Capital Expenditure	22.8	35.5	37.2	7.4
(i) Gross capital formation	(—)4.6	2.6	..	..
(ii) Total capital transfers	2.0	0.9	2.9	3.2
(iii) All financial investments and loans*	25.4	32.0	34.3	4.2
C. Total expenditure (A+B)	100.00	100.00	100.00	100.00
12. <i>Total—All Categories</i>				
A. Total current expenditure	48.6	52.2	53.8	53.7
(i) Consumption	26.0	30.0	28.5	23.0
(ii) Transfer payments	22.6	22.2	25.3	30.7
B. Total capital expenditure	51.4	47.8	46.2	46.3
(i) Gross capital formation	10.7	9.3	9.6	8.5
(ii) Total capital transfers	3.0	3.5	4.4	5.8
(iii) All financial investments and loans*	37.7**	35.0**	32.2**	32.0**
C. Total expenditure (A+B)	100.00	100.00	100.00	100.00

*covering investment in shares, loans for capital formation and other loans.

**including subscription to International Financial Institutions and net purchase of gold and silver.

TABLE A.2

*Changing Group (A to D) Relationships Among Employees (Support Rattons)
Selected Ministries/Departments and Total of the Central Government (Defence
Civilians and other Departments)*

Ministries/Departments	Period	Group Relationships (per hundred)		
		B+C+D	C/A+B	B/A per hundred
1	2	3	4	5
1. Agriculture (including Rural Development, but excluding Irrigation)	1971	1975	330	212
	1975	1431	310	159
	1980	1204	291	135
2. Commerce & Civil Supplies	1971	2086	379	270
	1975	1380	312	200
	1980	1179	251	189
3. Communications	1971	31607	6717	270
	1975	25195	3487	477
	1980	21815	4559	287
4. Education & Culture	1971	4061	945	174
	1975	2134	223	267
	1980	1516	203	188
5. External Affairs	1971	663	53	279
	1975	613	57	271
	1980	544	79	200
6. Finance	1971	5357	953	301
	1975	4056	888	228
	1980	4071	778	284
7. Health & Family Welfare	1971	.	.	.
	1975	1797	319	154
	1980	1117	293	87
8. Industry	1971	1151	229	158
	1975	857	208	134
	1980	805	198	129
9. Works & Housing	1971	.	.	.
	1975	5644	802	316
	1980	3730	672	250
10. Total of above (1) to (9)	1971	8960	1895	254
	1975	6483	1360	254
	1980	5856	1402	218
11. Grand Total (All Ministries/ Departments)	1971	10661	2046	180
	1975	9030	1745	179
	1980	7573	1569	170
12. Grand Total (excl. Railways & P & T)	1971	4300	819	176
	1975	3885	829	167
	1980	3386	710	174

(Enclosure II to the EARC Report No. 28 on Economy in Public Expenditure)

**ECONOMIC ADMINISTRATION REFORMS COMMISSION
REPORT OF THE WORKING GROUP ON STAFFING
PATTERN AND PERSONNEL POLICIES SET UP BY THE
E.A.R.C.**

Introduction

The Economic Administration Reforms Commission had set up the Working Group to study the staffing patterns and personnel policies of the Government of India as part of its terms of reference "Economy in Public Expenditure" under their Office Order No. EARC/V/A(I)/82-Coop, dated 5th August, 1982. The composition of the Study Group was :—

1. Dr. V. Gauri Shanker, Adviser, E.A.R.C
2. Shri K. V. Seshadri, Addl. Secy. DOP&AR
3. Shri H. M. S. Bhatnagar, Addl. Secy & FA, Ministry of Industry.
4. Shri M. Parthasarathy, Director (O&M), Office of C&AG,
5. Shri V. S. Jafa, JS (Per), Min. of Finance.
6. Shri S. P. Shukla, JS, EARCConvenor

2. The term 'Staffing Patterns and Personnel Policies' of the Government of India has a wider import. It is not possible, therefore, to deal with this as a subject per se. The Working Group, therefore, had to identify certain areas for investigation. They accordingly listed the following :—

- (a) The reasons of growth of staff of the Central Government in the past three decades.
- (b) Whether increase in staff numbers was in the right direction.
- (c) Whether there was a case for arresting the increase in the staff number at the existing level.
- (d) Whether the structure of the staff under Government requires any modification in view of the changes in scope and methods of the functioning of the Government.
- (e) Whether certain organisational structures, methods and the procedures have become redundant and, therefore, some modifications are called for, and

- (f) Whether certain units were engaged in some kind of work resulting in overlapping of functions.

3. However, due to constraints on time it was decided in consultation with Member(C) that the Working Group will confine their examination to the following :—

- (a) whether the structure of the staff under Government require any modification in view of the changes in the scope and methods of functioning of the Government; and
- (b) the existing mechanism for monitoring and controlling staffing patterns and personnel policies and the need to introduce modifications therein, if any. The other areas identified could be brought insofar as they have relevance to the above.

The approach

3.1 While item (b) is specified and is capable of a closer and detailed examination, item (a) calls for a somewhat wider examination of organisations, structures, practices and procedures obtaining in the Government of India and relate them to the overall context of economy in public expenditure. After discussing the methodology to be adopted, the Working Group decided to select two sample organisations under the Central Government for a study. Accordingly, the Ministry of Agriculture (excluding Department of Rural Reconstruction) Central Excise Department were selected. The Ministry of Agriculture was selected as it is representative of developmental activity falling solely within the jurisdiction of State but the overseeing and coordinating functions are with the Centre. This Ministry is also a good example of an institutional arrangement whose scope and methods of functioning cover programmes which are ultimately to be transferred to the State other agencies for management and control. The Ministry of Agriculture has a number of programmes in which certain developmental processes are conceived, launched and developed during the period of gestation and ultimately handed over to the State Governments for running. The scope and methods functioning in such an area call for a different structuring of staff different from the normal pattern of staffing in governmental organisation.

3.2 The Central Excise Department on the other hand is the single largest revenue collection department of the Government of India contributing nearly 75% of the total revenue. The pattern and procedures for levy and collection have been changing over the years necessitating resultant changes in the scope and methods of functioning of the Department. But unfortunately the structuring of the staff in this Department has remained unchanged and unequal to the now challenges faced by the department. The change over the years calls for a fresh look into the procedures themselves. When the Jha Committee studied the subject of indirect taxation, the residuary item 68 contributed only 1 to 2 per cent of the revenue. Under the latest Finance Bill item 68 commodities will contribute about 10 per cent.

It may be mentioned that Venkatappiah Committee had, while enunciating the simplified procedure for small-scale sector, noted that the Government policy defined this sector as limited to plant and machinery investment upto Rs. 7.5 lakhs (exclusive of land); it had recommended a cut-on limit of Rs. 5 lakhs. According to the latest Finance Bill, the corresponding figures would be Rs. 20 lakhs for investment and Rs. 40 lakhs for turnover. Thus, capital/output ratio which was originally 1:0.67, has now been jacked upto 1:2. Hence, the identification of the units eligible for cut-off consideration assumes greater importance from the fiscal point of view. How far have the staffing structures adjusted themselves to these changes in the scope and functioning of the department ? The subject, therefore, appeared to provide a good insight into the general question of staffing patterns and procedures and policies. The Working Group, therefore, decided to select this department for study as representative of a department which was structured decades back under different circumstances but continued to be so despite the unsuitability to the present day requirements and conditions.

4. The organisational role of a department decides the structure of the organisation and this structure, in turn, decides the staffing patterns. It is, therefore, logical to deal with the staffing pattern with reference to the organisational goals and structure. Organisational structures have six primary dimensions namely specialisation, standardization, formalisation, centralisation, configuration, flexibility. These dimensions refer to the major structural characteristics of all organisations, specialisation meaning division of labour training and technical capabilities; standardisation refers to procedures having uniform relevance and applicability; formalisation means the proper documentation of these procedures; centralisation deals with the hierarchical authority; configuration, vertical span of control. The rearrangement of these primary dimensions are essential before staffing pattern are changed. In dealing with the staffing patterns especially in the Central Excise Department, the readjustment of these primary dimensions have been kept in mind.

Findings in General

5. Basically our study has revealed that in these two Departments there was no discernible pattern of staffing rationally linked with the organisational goals. In the Ministry of Agriculture, for example the distribution of staff at the Ministry between technical and non-technical categories does not reveal any significant pattern. Apparently as time went on, new projects were taken up and staff were being added on an ad hoc basis without taking into consideration the structural dimensions of the organisation with the result that potential surpluses could not be identified systematically at any point of time in one wing or the other of the Department. In the Central Excise Department, despite the change in the scope and methods of functioning, the pattern of staffing has remained the same as it was before the Venkatappiah Committee's Report, 1972.

Rate of growth

6. While dealing with these questions, we have also examined the rate of growth of staff in these two Departments. While in the Ministry of Agriculture, the annual incremental rate of growth is high compared to other civil departments of the Government of India, the Central Excise Department has not registered any significant rate of growth. In both cases, the changes in the staff strength do not seem to reflect a deliberate attempt or plan to refashion the patterns to changing organisational requirements.

7. In the Ministry of Agriculture, due to the existence of certain highly specialised functional areas, requiring technical personnel for the duration of the respective schemes and projects, there is a scope for introducing a "sun-set pattern" of staffing distinct from the routine governmental staffing patterns. In the case of Excise Department, a complete overhaul of the system and the structure is warranted.

8. A study of the existing mechanism for control of growth of staff in the government namely the Administrative Reforms Wing, the Internal Work Study Units and the Staff Inspection Unit has thrown up certain basic issues to be resolved. At present the administrative departments are not themselves made accountable for poor procedures, outdated working methods and distorted staffing patterns. There is no internal mechanism to discipline and rationalise growth of staff suited to the needs of the department. Flexibility for internal adjustments of staff between one scheme and another or as between two offices under the same Ministry even is also absent. The record of performance of Staff Inspection Unit also reveals that it is unequal to the task expected of it. Whatever little economies have been achieved by its efforts has no relevance in the overall context of growth of staff in the Government of India which continues to rise from 2 per cent to 3 per cent annual. [The Staff Inspection Unit as a result has become negative in image and minimal in coverage.]

9. The basic issue of relevance of external mechanisms of control in the present day context in governmental organisations was examined by the Working Group. Absence of adequate internalisation and monitoring disciplines and functions appear to be the main weakness of the existing systems.

10. At the macro level there is a necessity to vest the Administrative Reforms Wing of the Government of India with adequate authority. The Administrative Reforms Wing has been clubbed with the Personnel Department of the Government of India. While healthy personnel policies are essential for an effective functioning of an organisation, Administrative Reforms have a wider perspective and are basically concerned with the larger issue of organisational set up, its structure, the procedures and practices. Therefore, there is a necessity to delink both and place the Administrative Reforms Wing under the Cabinet Secretariat to provide it with necessary authority.

11. At present the inspections of staffing patterns and structure are carried out independently of each other by the SIU|WSU and the Department of Administrative Reforms. There is no system of approach laid down as a rule. The Ministry|Department or subordinate establishment is not examined in its totality. This can best be done by the AR Wing who can not only study the structures of an organisation but also provide for better procedures, functional methods staffing needs and effective delegation which all go up to strengthen the functions of the organisation which is basic for overall economy.

Summary of Conclusions and Recommendations

12. We have examined in detail Ministry of Agriculture in Part II, Central Excise Department in Part III and the Control Mechanisms in Part IV of this Report. The following is the summary of our main conclusions and recommendations :—

A. DEPARTMENT OF AGRICULTURE

- (i) The organisational structure of the Department of Agriculture and Cooperation comprises, apart from the main Ministry, 26 functional divisions, 2 cells, 3 Attached offices, 70 Subordinate offices, 4 public sector undertakings, 4 autonomous organisations and 19 national level co-operative federations. Despite this broad spread of the organisation the Department of Agriculture does not have a properly constituted data processing cell. Basic data regarding staff distribution, strength, growth rate etc. are not centrally available. This is one of the main weaknesses of the system which makes any effort towards optimal utilisation of staff or checking the growth of staff, difficult.
(Para 17)
- (ii) The trend rate of growth of the Department of Agriculture is 5.4% and it is high compared to the annual growth rate for the government Civil departments as a whole which work out to 2.8%. It is equally high compared to the growth rate in some of the developmental Ministries. Even within the Department of Agriculture, the Department of Animal Husbandry and Forest sectors contribute to a very high percentage of 30.18% and 9.5% respectively.
(Para 18)
- (iii) Commercial functions like running the Delhi Milk Scheme import of fertilizers etc. which should appropriately be left to Commercial organisations are being discharged by the Department of Agriculture. This has contributed to the high rate of growth of staff. Similarly there is overlap between the functions in the area of agriculture between the Centre and the State Governments. The Working Group draws the attention of the Commission in this regard to certain recommendations made by a High Powered Committee under Shri H. N. Ray for consideration. There is

no necessity for distinguishing between plan and non-plan as far as the staff component is concerned at Secretariat organisation. This distinction should be removed and the staff components on the plan side should be subjected to the same kind of scrutiny.

(Para 20.3)

- (iv) There is at present no mechanism available to take a comprehensive overall view and to ensure optimal utilisation of the staff by transferring surpluses to areas of deficiency. While additional staff is being created for new demand areas, available surpluses are not identified and utilised. To a certain extent the lack of Centrally available statistics contributes to this. It is, therefore, necessary to introduce an Administrative Reforms Unit in each department which will monitor staffing patterns, prescribe procedures, locate surpluses and divert the same where they are needed.

(Para 23)

- (v) Certain growth of staff is unavoidable for the functional efficiency of any Department. It is also not easy to prescribe a detailed procedure of universal application for the control of the growth of staff in all Departments. We, therefore, recommend that a macro ceiling should be prescribed for the rate of growth per annum. This can be worked out for different Ministries on the basis of the trend rate of growth in similar Ministries. Macro ceiling should be fixed at a level below the actual average rate of growth for a period of years. Within this macro ceiling the administrative Ministries should be free to exercise their discretion either to restructure the staffing patterns or in creating additional posts. This will introduce an internal discipline by which individual Departments will be made accountable for ensuring optimal utilisation of available staffing potential. This will obviate the necessity of micro control by the Ministry of Finance and at the same time will introduce a certain immediate economy in expenditure in staffing.

(Para 25)

- (vi) In certain special areas where schemes are envisaged for a limited period or to be ultimately transferred to State Government or a Commercial Corporation, a "sun-set" pattern of staffing could be adopted. As these schemes in departments like Agriculture call for a high level of technical skill, the rules of recruitment, conditions of service, structuring of the organisational pattern should all be tailored to attract the skill which is essential for putting into operation any time bound programme of development. Once the scheme is developed or after the gestation period it is transferred to the State Government, it should be possible for the Government to dispense with staff so

recruited. Such a "sun-set" pattern is existing at higher levels in the Government of India in certain departments. It will be possible to bring it down to the middle and lower levels. This type of staffing can be adopted for (a) schemes which are likely to end at a particular point of time (b) projects which are expected to be completed within a time-frame; and (c) for jobs in regular departments where services of highly technical personnel are required for a definite period.

(Para 26)

B-Central Excise Department

(vii) The substantial changes that have taken place in the law and procedures governing the Central Excise levy over the years 1972—81 is not reflected in any corresponding change in the structure of the organisation, staffing patterns, the strength and the development staff, with the result low productivity per worker on account of lack of knowledge and expertise has increased the requirement of the number of men to handle a single job. In the Central Excise Department, deployment is closely related to procedures which are complicated and complex. We have, therefore, in general approached the problem of staffing patterns by looking into how best the excise levy and collection system can be modified and the departmental structure recast to ensure optimal utilisation of staff.

(viii) While the Jha Committee (1978) had recommended that concession should be given to small producers on Value Slab basis, the assessee is still to go through the detailed licensing procedures and checks relating to physical control. To obviate this, small firms employing plant and equipment of the value prescribed for small scale industries the assessee may pay tax on self-assessment basis at concessional rates. In other words, the same treatment should be given to them that is permissible to small scale industries under item 68 of the Tariff Schedule. This will result in considerable reduction of staff.

(Paras 30—34)

(ix) At the time of Venkatappiah Committee Report (1973) it was envisaged that Account Based Control procedure would cover 50% of the excise revenues, the Production Based Control procedure 33-1/3% and the rest namely Clearance Based Control compounded levy etc. 16-2/3% of the revenues. According to the latest fiscal statistics Record Based Control covering 34 commodities account for 35% of the revenues 5 commodities under the Clearance Based Control account for 3% of the revenues. The balance 62% is covered by

the Production Based control. The taxation system is, therefore, heavily weighted on collections under the Production Based. Therefore, the number of operative staff required for Production Based Control is more than Record Based Control. The Clearance Based control though yielding lesser revenue actually engages comparatively larger number of staff.

(Paras 37-38)

- (x) There are only 3 commodities in the whole of India which are covered by the Clearance Based Control procedure namely (a) Khandsari sugar, (b) bidi, snuff and chewing tobacco and (c) matches. 16,000 factories produce these products spread all over India. There is a system of compounded levy existing for Khandsari sugar. This should be extended to other 2 commodities as well. In matches Wimco is the only factory which falls in the organised sector. Therefore, this should be brought under Production Based Control while the rest of the industry should be brought under a compounded levy system on the basis of average duty paid for the past 3 years.

(Para 40)

- (xi) Coming to the Record Based Control there are 34 commodities. Out of this 9 commodities accounting for more than 1500 crores belong to petroleum products. 7 commodities cover the metal group namely iron and steel, copper, zinc etc. Two commodities fall within the category of motor-vehicles. Cement and fertilizers constitute other two important commodities. These items are manufactured by well established industrial undertakings mostly public sector with an elaborate internal control and inter-check documentation. The Central Excise functionaries who visit these factories have no expertise or technical orientation to check either the documents or the processes or to have meaningful discussions. They at best reproduce the computerised records. The Working Group would recommend that it would be administratively convenient and economical to treat the documents maintained by these industries as the basis for Central Excise purposes. As these accounts are subjected to internal audit, statutory audit and the final audit by the C&AG of India, they have the necessary authenticity for revenue collection purposes.

(Para 42)

- (xii) The large chunk of Production Based Control calls for an understanding of growth behaviour of industries in this country. The Central Excise organisational structure is more akin to the land revenue and police structure for historical reasons. 70 to 80 per cent of the industries are located in or around 10 to 12 major cities. It is, there-

fore, necessary to classify the industries in this agglomerates and restructure the organisation of the Collectorate on a functional basis to deal with each industry and the manufacturing processes involved therein. This will enhance the operational efficiency of the Department and over a period of time introduce a uniformity in Central Excise collection procedures and appeals. The assessee will also stand to benefit as he will know exactly where he stands with regard to assessment, litigation will also considerably scale down.

- (xiii) Once the organisation is restructured, a two tier line of control—one to check the production on the basis of technical processes and second to tally the same with the accounts maintained can be introduced.
- (xiv) We recommend an indepth study into this aspect of restructuring the Department.

(Paras 43—48)

- (xv) Gold control is not a revenue function. Much of the staff is diverted to this. This function should be taken away from the hands of the Central Excise authority.

(Para 50)

- (xvi) Hand in hand with the procedural reforms the training and recruitment has to be strengthened. At present training is largely manualish. The training programmes are defective and there is no provision for in-service training. Personnel employed in RBC industries have not been trained in commercial accounting. Direct recruitment should be encouraged in Group 'B' and Group 'C' staff.

(Para 51-52)

- (xvii) There is no system for compiling excise statistics centrally. Statistical processing should be streamlined and a Central Cell should be formed which should be linked with a statistical unit in each Collectorate. The flow of information should be uni-directional and automatic and self-contained.

- (xviii) Except in regard to exemption of payment of duty, there should be no occasion for demanding a bond in the present day context of a factory owner having to fulfil several statutory requirements. Even the Jha Committee recommended streamlining of the provisions relating to Bonds.

(Paras 53—55)

PART IV

CONTROL MECHANISM

- (xix) The Administrative Reforms Wing of the Department of Personnel & Administrative Reforms, the Staff Inspection Unit in the Department of Expenditure and the Internal Work Study Units in various Ministries are the three

agencies in the Government of India who are responsible for effecting reforms in administration and for securing economy in expenditure on staff. (Para 60)

(xx) The approach to administrative reforms and control of growth of staff has continued to be tentative with the result that there is considerable overlap between the Administrative Reforms Wing, the SIU and the TWSUs. Even though the functions of the Administrative Reforms and the SIU have been demarcated, it has to be recognised that they are inter-related and complementary and no clear dividing line can be drawn where the one ends and the other begins. For example, the method studies conducted by the A R Wing which mostly relate to procedures and methods of work would in many cases call for work-measurement studies for assessing the staff requirement to implement the revised procedure. Similarly, no work-measurement can be done to the total exclusion of the procedures in vogue. Therefore, if comprehensive studies are to be undertaken, there is a need to involve both organisations.

(xai) A recommendation for integrating these functions and corresponding organisation was made by the Estimates Committee of the Lok Sabha as early as 1959. However, the ARC did not make any specific recommendation in this regard with the result the two organisations continue to function as separate entities under the separate Ministries. Similarly there is a large commonality of functions and techniques between the JWSUs and SIU. (Paras 68—69)

(xxii) The failure of the control mechanisms is due to certain basic short-comings in the present system. The mechanism of control is external to the system. The very dimension of the organisational structure of the Government of India renders such external mechanisms ineffective and incompetent. There is a lack of system perspective, expertise and effectiveness. At the macro level the Administrative Reforms Wing does not possess the necessary authority vis-a-vis the administrative Ministries/Departments. There is no coordination between the functioning of the 3 agencies. Therefore, the first step towards any reform in this area will be to internalise and strengthen substantially the control mechanism within the respective Ministries/Departments. The necessity for such internalisation has been stressed time and again by the Estimates Committee, the Administrative Reforms Commission and various other Study Groups. The

Plowden Committee on Control of Expenditure in U.K. has also underscored this point by stating that the primary responsibility for management efficiency in each department must rest with the department.

(Paras 69.3)

- (xxiii) Internalisation will mean on the one hand the abolition of the Staff Inspection Unit and the creation of Administrative Reforms Units through re-organisation and strengthening of Internal Work Study Units in each Ministry|Department. On the other hand this will mean a greater latitude to the administrative Ministries|Departments in the matter of sanction of new posts and re-deployment of their existing staff within the parameters of the approved policies, budgetary limits and ceiling rates of growth. (Para 70)
- (xxiv) The growth of staff on the plan side as well as on the non-plan side should be subjected to the same control and work measurement. (Para 72)
- (xxv) The Administrative Reforms Unit should, in addition to the existing tasks of IWSUs, take over the task of SIU for conducting work measurement studies, fixing of norms and procedures etc. To strengthen the administrative reforms unit, a common cadre to include at least 50 per cent strength of these units should be created. The cadre controlling authority shall be the Administrative Reforms Wing of the Government of India who will programme their training and equip them with necessary expertise. (Para 74)
- (xxvi) At the marco level, checks should be exercised only by the AR Wing of the Government of India. Its function should, apart from the existing consultancy work done by them, include policy guidance to the Administrative Reform Units in each Ministry|Department, coordination of their work and control of the cadre etc. Parameters and ceiling rates of growth will be laid down by A.R. Wing from time to time.
- (xxvii) Within a period of two years, this Wing should carry out review of all the Ministries|Departments under the Government. Periodical reviews can follow subsequently at suitable intervals. (Para 76)
- (xxviii) The Administrative Reforms Wing of the Government of India will have to be part of the Cabinet Secretariat to give them the necessary authority. It should report to the Committee of Secretaries and the action taken on their recommendations should be placed before the Cabinet. (Para 77)

PART II

MINISTRY OF AGRICULTURE

Introduction

13. The Constitution places agriculture in the State List, the responsibility for agricultural development devolving essentially on the State Governments. The State Governments have during the course of time developed the necessary machinery and the infrastructure to enable them to discharge these responsibilities.

13A. While the primary responsibility for development of agricultural development with a view to optimising agricultural production play an important role of directing and coordinating overall agricultural development with a view to optimising agricultural production and its distribution in the country as a whole. The Centre has to take upon itself, in this field, the work essentially of an all-India character, the working involving inter-State interaction, planning and coordination in the country as a whole and finally the leadership and guidance functions. The Centre's role in assisting States in matters like provision of necessary inputs, physical and financial, and in providing institutional and administrative support by way of research and investigation, dissemination of information is also important.

Role and Functions

14. The Annual Administration Reports of the Department describe the role and functions of the Department as follows :—

“The Department of Agriculture and Cooperation is responsible for the formulation of national policies and programmes relating to agriculture and allied activities, such as dairy, animal husbandry, forestry, fisheries etc. The Department aims at devising and implementing programmes to bring science and technology closer to the farmer to enable him to meet his needs and achieving growth with social justice. Accordingly, the Department is responsible for taking necessary action to ensure timely and adequate supply of inputs e.g. fertilisers, seeds, pesticides, agricultural implements and institutional credit, for agricultural requirements. In all the programmes emphasis has been laid on the upliftment of the weaker sections of rural population, particularly, the small and marginal farmers and agricultural labour. With a view to giving the farmers adequate return on agricultural produce, and at the same time, to safeguard the interests of consumers, the Department fixes and announces

procurement support prices for various important agricultural commodities. It also formulates and implements programmes relating to agricultural credit, crop insurance, cattle insurance, and import and export of agricultural commodities. The Department is also responsible for the overall cooperative policy, in the country and all matters relating to national cooperative organisations, cooperative training and education. The Department participates in international organisations and promote bilateral cooperation in agriculture and allied field.

The Department conducts agricultural census which bring out the structure of agricultural holdings and their main characteristics on and application of inputs. It is also responsible for advising and assisting the State Governments in undertaking relief measures in areas facing acute scarcity conditions due to natural calamities such as drought, floods, cyclones, etc."

Organizational Structure

15. The organisational structure of the Department of Agriculture and Cooperation comprises apart from the main Ministry, 26 functional divisions and 2 cells. Besides the Department has 3 Attached offices, 70 subordinate offices, 4 public sector undertakings, 4 autonomous organisations and 19 National level Cooperative Federations.

Staffing Pattern

16. The staffing pattern depends on the subject matter and divisions in the Department like Crops, Horticulture, Forestry, Animal Husbandry etc. are headed by Technical Officers of the status of Joint Secretary/Additional Secretary (in the case of Forestry Division) and are assisted by qualified technical officers/staff at the lower and middle management levels. The other divisions viz., Fisheries, Credit, Cooperation, Dairy Development, Fertilizer and Manure Seeds and Farms, Agricultural implements & Machinery etc. though headed by Joint Secretaries, are provided with technical staff of the respective disciplines at the sectional and the middle level. Each Division has also been provided with necessary secretariat staff at the sectional and the middle management level to render administrative and financial support to the technical officers heads of the Divisions.

17. The data necessary for examining staffing patterns and growth of staff are not centrally available with the Ministry of Agriculture. They could only provide certain data regarding the Secretariat formation at Delhi. For subordinate offices, they had no information. The Working Group experienced considerable difficulty due to the non-availability of the data regarding the growth of staff, their classification, distribution between technical and non-technical areas, the level of authority etc. from the Ministry of Agriculture. We have, therefore, to base our studies on the basis

of data furnished by the D.G.E.&T. Department of Expenditure and mainly on the basis of Demands for Grants. The non-availability of self-contained data centrally is one of the main weaknesses in our system. This applies not only to the Department of Agriculture but to other governmental organisations as well. Due to lack of readily available data, the respective Departments are at no time in a position to exercise effective control. Optimal utilisation of staff is also not possible due to lack of this data.

The trend rate of growth

18. The trend rate of growth in the number of employees in the Department of Agriculture is given in Annexure I. The annual rate of growth for both officers and staff comes to 5.4 per cent and it is high compared to the annual rate of growth of 2.80 per cent for the Government of India (civil departments) as a whole. The trend rate of growth for certain selected developmental Ministries as shown in Annexure III reveals that while the average trend in the rate of growth in these Ministries/Departments is 2.27, the Department of Agriculture trend rate of growth is higher than the average. The rate of growth is not even but varies from year to year and, sometimes is erratic.

19. The Department of Agriculture has four sectors namely Agriculture, Fisheries, Animal Husbandry and Forest. While the rate of growth in the sectors of Agriculture and Fisheries has remained comparable with the trend growth rate for other Departments and the Government of India as a whole, the Animal Husbandry and Forest sectors show a very high percentage—Animal Husbandry as high as 30.18 per cent and Forest 9.44 per cent (Annexure X). Further analysis of the Animal Husbandry sector reveals that the high percentage growth of staff is on account of the Delhi Milk Scheme which is being run by the Ministry of Agriculture. (The DMS has been reflected in the Demands for Grants only from the year 1975). The trend growth rate without DMS will be around 3.6 per cent.

Certain Findings

20. The distribution of staff technical and non-technical, in the Department of Agriculture at the headquarters as on 1-1-1983 is placed at Annexure II. There is no discernible pattern in distribution of posts between administrative and technical categories and each Wing has its own pattern. Overall, 30.7 per cent are technical and 61.3 per cent are non-technical employees. While on the technical side the staffing pattern is officer oriented, on the administrative side it is the reverse.

20.1 As a result of a decision taken by the National Development Council in February, 1979 a number of Centrally sponsored schemes were to be transferred to the States beginning with the annual plan 1979-80. Under the Agriculture and allied sectors, of the 88 Centrally sponsored schemes about 50 schemes placed in

Category III were passed on to States alongwith funds made available by the Centre for these schemes. With the transfer of these schemes, 127 posts were rendered surplus, out of which only 32 posts were surrendered. These too were surrendered because they were lying vacant and could, therefore, easily be surrendered. The rest were adjusted within the Department of Agriculture over a period of two years. This adjustment was carried out by creation of additional posts under other heads. Such a situation is perhaps, unavoidable under the existing staffing pattern and personnel policies. The appointments are, as a rule, made on a regular basis and the nexus between the expected life of the schemes and the pattern of staffing is not closely determined. The ad-hoc adjustment of the staff found surplus at a particular time distorts the officers-staff ratio. It is seen in the Department of Agriculture that the number of staff per officer has been showing an increasing trend over the period of years.

20.2 The Department of Agriculture ranks No. 12 according to the expenditure incurred on pay and allowances by Central Ministries and Departments numbering 43. If we remove from the list the Ministry of Home Affairs, Department of Revenue and Audit and Accounts Department, it ranks No. 8. Among the developmental Ministries, it ranks No. 1 in the matter of expenditure incurred on pay and allowances. In this context it is necessary to give some thought to the nature of functions and activities undertaken by the Ministry of Agriculture. We are of the view that the examination of the staffing patterns of the Ministry will be incomplete without looking into this aspect.

20.3 The Department has been taking up commercial functions such as running of the Delhi Milk Scheme, import of fertilizers etc. These commercial functions could be appropriately left to Corporations which have a commercial orientation instead of being run by a Governmental Department. A Corporation can ensure cost effectiveness better than a Government Department.

The Expert Committee appointed to review the working of the Delhi Milk Scheme in 1964 recommended that it may be converted into a Company. A Bill was introduced in 1970 as well as in 1976 but because of the dissolution of the House, considering the Bill remained inconclusive. The P.A.C. in their Report in 1977-78 (46th Report Delhi Milk Scheme) has reiterated necessity for converting the Delhi Milk Scheme into statutory Corporation as a measure of economy in expenditure.

20.4 There is considerable overlap between the functions of the Department of Agriculture at the Centre and Department of Agriculture in the State Governments. The State Governments have over successive plan periods built in the necessary infrastructure for effectively handling many of the functions. The Centre's effort, therefore, should be confined to supplementing the States effort

in these areas than substituting them. In this context the Working Group endorses the observations of the ARC "...the role of the Central agencies have expanded greatly and although they have not acquired hierarchical supremacy over States, they have tended to assume functions overstripping their legitimate jurisdiction".

20.5 A High Powered Committee under Shri H. N. Ray which went into the issues of overlap in depth at the instance of the Commission of Public Expenditure in 1979 has recommended that the Centre can play its role effectively by confining its activities to the following areas :—

- (a) Formulation of the National Plan, laying down policy framework and allocation of priorities in consultation with the States. Central initiative is necessary to forge a national consensus and broad pattern of development;
- (b) Providing guidelines, initiative and leadership to the States and other agencies responsible for the administration of programmes, the Central initiative and entrepreneurship may cover a wide range of activities and various aspects of development including technical and financial assistance.
- (c) Serving as a clearing house of information from one State to another based on comprehensive and objective appreciation of important issues and problems;
- (d) Undertaking research at national level and participation and initiative for the development of an integrated national research system;
- (e) Undertaking training programmes of a foundational nature such as training of planners, administrators in the formulation and implementation of programmes;
- (f) Evaluation of programmes with the objective of checking progress, identifying bottlenecks, taking remedial measures through adjustments according to local conditions;
- (g) Coordinating functions at the inter-state and at national level that can be handled effectively at the Central level;
- (h) Providing for a meeting ground for state representatives for exchange of ideas and for evolving guidelines.
- (i) Systematic and timely identification of regional and group disparities latent in the growth process and taking measures towards removal of such disparities through modification in the national strategy of development,

20.6 Keeping in view the role of the Centre as defined above, the following criteria for participation of the Central Ministries/Depart-

ments in the schemes in the State sector, is suggested by the High powered Committee for consideration :

- (i) the schemes of inter-state or indivisible nature, projects of regional character or of all-India significance;
- (ii) schemes involving high infrastructure costs and requiring lumpsum provisions;
- (iii) new schemes especially those of innovative nature which the States may consider risky or where state's development efforts are likely to be inadequate;
- (iv) projects which cannot be undertaken by the states due to paucity of technical, financial institutional and administrative resources;
- (v) socially desirable schemes such as schemes of development in priority areas (economically backward areas) for the benefit of designated groups (weaker sections of the society);
- (vi) high priority schemes whose incidence is uneven as between states;
- (vii) schemes of high national priority which require adequate funding and which are likely to suffer due to scarcity of state resources or because of inadequate appreciation of their priority;
- (viii) the schemes relating to demonstration, pilot projects, survey, research and training;
- (ix) schemes relating to quality control, regulatory activities in respect of certain inputs and commodities;
- (x) schemes relating to supply of key inputs, including imports, and other requisites of production including technical assistance and credit;
- (xi) location of specific schemes (such as schemes of area development and disease control) which have to be implemented by the states in accordance with the Sixth Plan;
- (xii) schemes relating to Area Development (such as SFDA, MFAL, CADA and DPAP now combined into Integrated Rural Development Programme) and Revised Minimum Needs Programme (RMNP) which play a very vital part in the strategy of the Sixth Plan in its fight against unemployment and poverty.

21. The recommendations of the High Powered Committee have certain relevance to economy in expenditure in the overall context of Centre-State relations. The Working Group, therefore, wishes to bring the recommendations on record for consideration of the Commission.

Recommendations

22. Under the existing procedures, it is far simpler to create staff on the Plan side than on the Non-plan side. There is ban on the creation of posts on non-Plan side and this ban can be relaxed only with the approval of the Cabinet. Further, matching savings are required to meet the additional expenditure in such cases. However, in the case of posts on Plan side, there is no ban but concurrence of the Finance Minister for the creation of Group 'A' posts and of Secretary (Expenditure) for other posts is required; no matching savings are called for or can perhaps be provided though the feasibility of non-Plan savings could exist this is not one of the factors taken into consideration generally. In a Ministry like Agriculture a major functional area comes under Plan expenditure, the staff component of the same has a tendency to grow without taking a macro view of the organisation as a whole and without any attempts to utilise surpluses that may be identified. While at the operational level for new schemes and strengthening of existing schemes as per Plan priorities, there may be some justification for increase in Staff we do not see any reason for keeping the distinction between the plan and non-plan as far as staff component is concerned at the headquarters organisation. To begin with, therefore, the distinction between Plan and non-Plan schemes so far as they relate to the staff component should be removed at the headquarters organisations and the staff components on the Plan side including in this expansion not only the Secretariat but also the Heads of the Departments, and may be also, their Zonal/regional sub division as distinct from the purely executive staff at the Field level should be subjected to the same kind of scrutiny. Actually there may not even be a necessity to increase staff in the Ministry and the first level of the Heads of Departments to deal with new plan schemes, under an integrated approach.

23. At present there is no mechanism available to a comprehensive view of the staff structures and their proper utilisation. Therefore, at any point of time it is not possible for the Ministry/Department to locate available staff and utilise the same to meet new and additional requirements. The Internal Financial Advisers are handicapped it seems, for lack of centrally available data but they ought to get these going on. While the departmental head could recommend creation of additional staff he has no power to transfer staff within the various sectors, or from one scheme/project office to another. With the introduction of integrated financial system and the departmentalisation of accounts it was envisaged that the overall functioning of the ministries would be improved through better financial management. The IFAs would need to give attention not merely to financial control, but would have to move towards matters such as identifying areas where economy can be effected, monitoring projects, evaluating prog optimising utilisation of man-power and generally eliminating waste and extravagance. Further, it was decided management accounting system would be introduced with MIS built into it and that the IFAs would take up this work as part of new charter of responsibilities. This ob-

jective has, however, not been achieved. There is, therefore, lack of flexibility in dealing with staffing patterns to enable the needs to divert surpluses to areas need. We have dealt with this problem in detail under the 'control mechanism' available in the Govt. of India. To remedy this defect and to introduce the necessary flexibility it is necessary to build into the organisation a mechanism which will discharge duties of an Administrative Reforms unit as well as Staff Control Unit. This unit will constantly monitor staffing patterns in an organisation, prescribe procedures and locate surpluses to be diverted to where the staff is actually needed.

24. Additional staff is created for strengthening existing schemes and for taking up new schemes but optimal use of available potential is never made with the result at any point of time surpluses can be located in the organisation. It is essential for an administrative reform unit to be built into the organisation to ensure the optimal use of available potential. This also calls for a central system for collection, storing and processing of data on the staffing pattern of the attached and subordinate offices. If the statistics are maintained up-to-date it will be easier to determine the necessity for additional staff as and when new projects or additional functions are taken up.

25. Under these circumstances the Working Group is of the opinion that there is a need for macro checks. Analysis of some of the growth patterns for Ministries with a developmental orientation is placed in Annexure III. This growth should enable the Government of India to fix a ceiling on the rate of growth significantly below the actual average rate of growth for similar Ministries/Departments. For the Government of India as a whole the rate of growth is about 2.8 per cent per annum. Once this macro ceiling is prescribed, the administrative Ministries should be free to exercise their discretion either to restructure their staffing patterns or in creating additional posts. The macro ceiling will introduce an internal discipline by which the individual departments will be accountable for ensuring optimal utilisation of available staff potential. This will obviate the necessity for a micro control by the Ministry of Finance. Prescribing such a macro ceiling limit will automatically introduce a certain minimum economy in expenditure on staffing. At the same time it provides the respective departments and the Ministries with adequate flexibility to utilise the surplus potential available within the organisation and diverting staff where it is needed. This macro ceiling should be reviewed periodically at prescribed intervals.

26. In a Department like Agriculture which has a role to play as innovator, guide and coordinator in functional areas where the primary responsibility is that of the State Governments, there is scope for introducing a separate staffing pattern. There are a number of schemes which have ultimately to be transferred to State Governments after a particular stage of development. Creating permanent staff for these functional areas ultimately creates problems of adjustment of redundant staff once the schemes/projects are transferred to the State Govern-

ments. These functional areas demanded a higher level of technical skills. The rules of recruitment, conditions of service, scales of pay, structuring of the organisational pattern should all be tailored to attract this skill which can be used for the period of development and gestation. Once the scheme is developed, it should be possible for the Government to disband the staff. Such a "sun-set" pattern of staffing will be more suited to Departments of this nature. Such a pattern does exist even today in pockets of the Government of India at higher levels in the Ministry of Law, Department of Technology etc. This pattern should be brought down to the middle and lower levels.

In the Department of Agriculture it is possible to have a 'sun-set' pattern of staffing in the areas of Agriculture extension and in many areas of dairy development and animal husbandry. Similar areas can be identified in Fisheries and Forestry. This pattern of staffing could generally be adopted for 3 types of schemes :—

- (a) schemes which are likely to end on a particular day;
- (b) projects which are expected to be completed within a time frame; &
- (c) for jobs in regular departments where services of highly technical personnel are required for a definite period.

This could be achieved by making appointments of personnel on contract/deputation basis. Such a system already exists in Central Water Commission, where 25 per cent of the posts at the level of Deputy Director/Director Chief Engineer are filled on deputation basis; 50 per cent of the posts at the level of Members are similarly filled and the post of Chairman is open to all eligible officers (at the Centre and in the States).

PART III

THE CENTRAL EXCISE DEPARTMENT

Introduction

27. The Central Excise Department functioning under the Ministry of Finance is under the supervision and control of a statutory board namely the Central Board of Excise and Customs constituted under the Central Board of Revenue Act, 1963. The Board consists of a Chairman and 6 Members who also function as exofficio Additional Secretaries to the Government of India. The Board functions both as a policy making and the directive head of the Department and is assisted by 8 Directorates.

28. In so far as Central Excise revenues are concerned, the Member (Central Excise) exercises administrative control over the organisation spread throughout India. The field organisation is structured more or less on the lines of the revenue administration of pre-independent India with territorial jurisdiction assigned to Collectors, Assistant Controllers and Superintendents in a manner not different from the territorial jurisdiction assigned to the local revenue collecting agency. There are today 25 Collectors with territorial jurisdiction as shown in the annexure V & VA. The field formation under them are also shown in the appropriate columns.

29. In the context of the investigation entrusted to the Working Group, we limited our study to the growth of the staff strength and deployment of the staff to function effectively as a revenue collecting agency in the context of the substantial changes that have taken place in the law and the procedures governing central excise levy. There has been a phenomenal growth of staff in the Central Excise Department from 33,619 in 1975, to 45,560 in 1982 registering an absolute increase of 11,941. The annexure to this gives the break up of the staff increase. In this connection the Working Group note that even the Estimates Committee expressed its concern over the increase of the staff strength by about 10,000 employees during the period of 9 years between 1968 to 1977. In paragraph 8.56, the Estimates Committee of the 6th Lok Sabha observed as follows :—

“In the absence of any comprehensive study of the staff strength and their deployment, the Committee are not in a position to judge whether an increase of nearly 10,000 employees during a period of 9 years (1968—77) was justified even though there has been considerable expansion in the excise net work. The Committee feel that the organisational structure, staff strength and the deployment of staff at the headquarters and in the field

units responsible for collection of central excise and other related matters should be studied comprehensively by an independent body of experts to be appointed in consultation with the Department of Administrative Reforms and the Staff Inspection Unit of the Ministry of Finance and the Central Board of Excise and Customs should review the position in the light of their report. The Committee hope that action in this regard will be initiated without delay and progress reported to them."

Estimates Committee's observations

The Estimates Committee was again constrained to observe in its 12th Report of the 7th Lok Sabha as follows :—

"While noting the decision of Government to undertake a selective study of important aspects of the Central Excise work such as filling and approval of classification and price lists, the Committee regret to observe that the Ministry have evaded the real issue, viz., the need for a comprehensive study of staff strength and their deployment. In view of an increase of nearly 10,000 employees in the excise Deptt. over a period of 9 years, the Committee feel that it is necessary to undertake a comprehensive study of the staff strength, their deployment and allied matters by an independent body of experts to be appointed in consultation with the Department of Administrative Reforms and Staff Inspection Unit of the Ministry of Finance. The Committee reiterate their recommendation."

30. The Working Group observed that the growth of staff had no relation at all to the structural and procedural changes introduced in the central excise levy over the years 1972—1981. Interestingly, when the self-removal procedure was enforced, there was decline in the strength of officers from 3511 to 2227 but the moment the SRP procedure was modified the trend was suddenly reversed increasing the officers strength alone by more than 1,000 in 1981. Though there was reduction in the number of officers when the SRP was enforced in the case of Group 'B' and Group 'C' staff, there was no reduction at all keeping a large number of people afloat. The absence of a proper plan for deployment of staff when a SRP was introduced led to this haphazard situation.

31. The levy of central excise duty is governed by the Central Excise and Salt Act, 1944 and the rules framed thereunder. The Central Excise Act is remarkable for its shortness since it leaves most of the matters relating to levy and collection to be governed by rules which lay down elaborate procedures. The rules run to nearly 350 (nominal number is 234 but effective No. is 350) and in addition the number of notifications issued under the Central Excise and Salt Act governing the levy of the commodities totally run to thousands. The commodities dealt with in the central excise levy cover a wide

range from simple items like coffee, tea and matches to most sophisticated electronic gadgets. The descriptions of these articles for purpose of levy are so complex requiring a fairly advanced knowledge of a specialised nature in particular fields of manufacture so as to enable the central excise staff to identify, classify and value the products emerging in the course of production for the purpose of levy of duty. The notifications make a further sub-division of the various items and prescribe separate conditions for purposes of identification and levy. This itself requires a fairly high degree of expertise which unfortunately the assessing staff in the Central Excise Department do not possess. In a sense the knowledge so expected of the Central Excise staff could be more complicated than what an Income-tax officer has to know for reading balance sheets, annual reports and other financial statements only. This calls for suitable technical training of such personnel plus competent technical advice at superior levels at different operative points. These appear to be lacking today.

Control Procedures

32. Deployment of staff is closely related to the procedures adopted. Complicated, over-lapping and complex procedures would tend to absorb a larger number of men than justified, apart from causing harassment to licences and increasing their cost of compliance as well. Control over production and clearance is an important aspect of central excise administration since the duty is attached at the point of manufacture and collected at the point of clearance. This control procedure is basically of the following five types :—

- (1) Physical control ;
- (2) Clearance based control with the alternative of a simplified procedure ;
- (3) Record based control ;
- (4) Production based control; and
- (5) Compounded levy scheme.

Items No. 1 and 2 above namely physical control and clearance based control are practically identical except that the term "physical control" is mentioned in connection with unmanufactured products and some manufactured product such as Khandsari, Sugar, Matches, Bidi, Snuff and Chewing Tobacco. The physical control is a most comprehensive type of control beginning from the entry of raw materials into a factory upto the clearance of the manufactured products through gate passess. Under the simplified procedure which was in force from 1976 and confined to 46 notified commodities small manufacturers whose annual value did not exceed Rs. 5 lakhs were permitted to compound their monthly duty liability on the basis of their clearance during the proceeding three years. They were given a concessional rate of duty of 10 per cent less than that normally applicable and are also allowed an incentive of increasing their production to 20 per cent without payment of any additional duty liability. A

licensee adopting this simplified procedure had to get his monthly duty determined by the Department and pay it every month in advance.

33. This simplified procedure was a modified version of what was recommended by the SRP Committee but it did not find favour with the licensees, as it was found by the Indirect Taxation Enquiry (Jha) Committee that out of 10637 units working under the simplified procedure as on 1st January, 1977, 3670 unit preferred to work under physical control and 7578 units were not paying any duty being in the exempted category. It was also seen that the duty paid on an average by a unit working under the simplified scheme was about Rs. 1030 per month while that working under the physical control was lower working out of Rs. 750 per month. Analysing the reasons for the poor response to the simplified procedure, the Jha Committee found that the legal provisions of the simplified procedure were not only difficult for the assesseees to understand but sometimes too complicated for even the assessing officers, and that the three year block period for which duty liability is fixed to too long, since it is very difficult for the smaller units to forecast the demand. Further the inadequate relief to the scheme resulted in an anomalous situation while the duty liability of some assesseees worked out to be greater than what they would have normally paid.

Jha Committee's Recommendations

34. The Jha Committee, therefore, came to the conclusion that if these defects were removed, the simplified procedure would have much to commend itself. The Jha Committee favoured giving concession to small producers on value slab basis. This method has been adopted now by giving exemption to the small scale producers for the first 5.00 lakhs and giving concession of 25 per cent of the duty payable on the next Rs. 20.00 lakhs. Though this takes care of the difficulties of the assessee, the need to go through the licensing procedures and all the central excise formalities relating to physical control remains. The merit of Venketapiah's Committee recommendation was that once the person had opted for the simplified procedure, the central excise formalities were completely dispensed with. Therefore, the Government may seriously consider whether for small firms employing plant and equipment of the value prescribed for small scale industries, the formalities of central excise may not be dispensed with by asking them to pay tax on a self-assessment basis at the existing concessional rates. In short, what the Working Group would recommend is that the same treatment should be given to them as is given to small scale firms, who operate under item-68 of the Tariff Schedule. If this is adopted, there will be considerable reduction in staff now employed in assessment of these small firms.

35. Under the Record Based Control, the Central Excise control is limited to verifying the records maintained by the assessee viz., books of accounts, invoices, despatch invoices etc. and are accepted more or less reliance being placed on them. This requires naturally a

fair degree of knowledge of commercial accounting. In the third type, the Production based Control, checks are exercised by the central excise officers at various stages of production to ensure full account of the goods produced. Assessments and removal of the goods is left to the assessee in the same manner as in record based control.

36. As regards compounded levy, this is meant for only the small scale decentralised sector and is confined to a few commodities manufactured without aid of power like cotton fabrics, embroidery, electric battery parts and khandsari sugar. Under this scheme, the levy is limited to the type of equipment used by the licensee and is determined with reference to the average production in India per week or per month, per each type of equipment employed in the manufacture of product. The duty levied is payable initially for a period of two weeks and thereafter weekly or monthly payments being tendered two days in advance of the week or a month. Control of this compound levy is minimal and confined only to periodical checks of equipment more on the preventive side than on the assessment side.

Certain Findings

37. When the Venkatappiah Committee submitted its report, the Accounts Based Control procedure recommended by it was to cover about 50 per cent of the excise revenues collected in 1971-72. Likewise, the percentage for Production Based Control procedure would cover 33-1/3 per cent approximately and the simplified procedure suggested for small units, composed mainly of the compound levy system but including also a measure of Clearance Based Control, would account for the remaining 16-2/3 per cent of the 1971-72 revenues, (unmanufactured tobacco was excluded from its consideration by the Committee itself). As stated earlier, when the Indirect Taxation Enquiry (J1a) Committee submitted its report in 1977-78, it noted that the small-scale sector had not evinced much interest in the simplified procedure brought into force by the Government, broadly on the lines recommended by the Venkatappiah Committee (Chapter 12 of its final report of January, 1978 refers). According to the latest fiscal statistics, (1981-82) however 34 commodities under the Record Based Control system accounted for about 35 per cent only of the revenues and the 5 commodities under the Physical Control system brought in only about 3 per cent of the revenue, whereas those under Production Based Control accounted for the balance of about 62 per cent. Even if one were to make allowance for the departure made from the Venkatappiah Committee's approach in classifying the units into three groups, from that finally adopted by the Central Excise Department, and further if the petroleum items and electricity are taken out of the RBC statistics, *it is amply clear that the taxation system is heavily weighted increasingly on collections under the PBC system.*

37.1 Item No. 68 of the Tariff Schedule was introduced in 1975, i.e. after the Venkatappiah Committee's report had been received. When the Jha Committee studied the subject, the rate under this entry had only been raised from 1 to 2 per cent. The present position is that item 68 commodities attract a rate of 8 per cent and the latest Finance Bill proposes to raise it further to 10 per cent. This residual entry, so to say, is, therefore, proving to be most important central excise item from the fiscal point of view, particularly so, if one were to note that petroleum item, electricity, most of the fertilizers and non-ferrous metals are in the public sector.

38. In the light of the duties and responsibilities involved in the type of controls mentioned above, a larger proportion of operative staff will be required for the production based control than that required for record based control. Similarly a further increase in the staff is necessary for factories covered by the physical control as compared to production based control. The two types of control which would, if more popular than hitherto require the least number of staff are the simplified procedure and the compounded levy.

An attempt was made to get the number of staff deployed for the three types of factories. We have not so far been successful. But the number of factories and the revenue involved falling within the three categories is given below :—

as on	RBC units	Revenue	PBC units	Revenue	Rs. in lakhs Physical control units	Revenue
31-3-80	966	231958	21463	350267	20736	18394
31-3-81	969	218115	22910	411952	22458	20570
31-3-82	969	257023	27687	461132	16301	21164

39. It may be seen from the above statement that the RBC Units are less than a thousand but yield an average revenue of about 2500 crores, whereas the Production based control units which are the largest numbering over 27000 factories yield a revenue of 4600 crores. The Clearance Based Control which yields only 211 crores covers more than 20900 factories in 1980 and 1981 and more than 16000 factories in 1982. A question naturally arises whether there should not be a re-determination of the staff required for CBC units which yield only about Rs. 200 crores. However, in the existing set up of Central Excise Administration where divisions, ranges and sectors are organised on territorial basis, it is difficult to identify the number of persons exclusively employed for clearance based or production based factories. The Inspector Incharge of a sector is normally required to look into all the factories within his sectoral juris-

diction, some of which may be in the RBC & CBC and many others in PBC.

40. Since CBC by its very nature requires a greater concentration of staff, we may consider whether some of the CBC units could not be de-excised or brought under PBC. From the statistics given to us by the Directorate of Statistics and intelligence of the Central Board, there are only three commodities which are covered by CBC in whole of India, namely (a) khandsari sugar, yielding a revenue of about Rs. 18 crores, (b) bidi, snuff, and chewing tobacco yielding a revenue of about Rs. 30 crores and (c) matches yielding a revenue of Rs. 47 crores. The 16000 factories producing these products are spread all over India. It is the view of some of the Collectors of Central Excise that the labour and personnel employed for these units are far too disproportionate to the revenue yield, and that by the very nature of the processes involved in producing these Commodities in (b) and (c), it is impossible to ascertain whether the revenue is being fully assessed and properly collected. Taking matches, the department is already having a band roll system and this band roll signifies payment. No further check would appear to be necessary according to one view. Alternatively the following could be considered. The organised sector of matches is in the hands of a big multinational namely WIMCO and the unorganised sector lies scattered in thousands of small factories. While WIMCO can be brought under PBC, the other match factories may be brought under a compounding system under which the average duty paid for the past three years could be determined as the amount payable for the next three years with a step up of 10 per cent for each of those subsequent years. If this lump-sum payment is made by the factory, the department should not bother thereafter, about the production and clearance checks. Another suggestion made in this regard is that Potassium Chlorate being the main ingredient in matches, levy of duty on Potassium Chlorate with a strict control of its movement and distribution should enable the Government to free it from the bother of taxing matches separately. Whatever extra revenue we now get from matches can be obtained by adding to the duty on Potassium Chlorate.

41. Like-wise for bidis and chewing tobacco, the same formula of compounding the duty payable could be adopted. A doubt was raised whether such compounding will not be defeated by a change of proprietors and obtaining new licences, or by shifting the factory. We do not think this doubt is justified because under the law any purchaser of a property or business is liable for all duties and taxes of the predecessor and excise duty being the first charge on articles, enforceability will not be difficult. The only item now left is khandsari sugar. There is already a system of compounded levy for khandsari sugar and it is totally unnecessary to deploy staff for the khandsari factories except for occasional preventive checks.

Record Based Control

42. The next item that deserves attention is Record Based Control. 34 commodities are brought in under this system of excise con-

trol. Of these, 9 commodities accounting for more than 1500 crores belong to petroleum products. Seven commodities fall under the metal group namely iron and steel, copper and copper alloys, zinc and zinc alloys. Two commodities fall within the category of motor vehicles. Cement and fertilizers are two more important commodities. These items are manufactured by well established industrial undertakings with an elaborate internal control and inter-check documentation. In the case of petroleum products there is only one licence namely the Indian Oil Corporation, which is a public sector undertaking. In the case of iron and steel products, the top most producer is the SAIL, a public sector undertaking and the next one is TISCO. It is a most point whether in these cases, the department should insist upon maintenance of separate records with a periodic visit by the Central Excise authorities. Our investigation shows that in no Record Based Control industry, any significant omission has been found by the Central Excise Department. This may be for two reasons namely (a) the functionaries who visits the factory is usually a Superintendent class II or at best the Assistant Collector who cannot have a meaningful discussion with the top level management and/or (b) the utter lack of expertise and knowledge required to assess the accuracy of the production. One of the rules of the Central Excise Department is that all the production should be noted in a separate register prescribed in the Rules called R.G.I. In a steel factory, with a computerised accounts, weekly documents prepared by the factory for its own use weighs about 5 to 6 kgs. It appears to be a frustrating exercise to have this document again re-written in R.G.I. merely to satisfy the Central Excise Rule. The better thing would be to treat the documents maintained by the factory as documents for central excise purposes also. So long as the firm's/company's statutory auditor certifies that they are the very documents on which it finalised the annual report/accounts and balance-sheet for income-tax assessment purposes as well. Particularly, in the case of Public Sector Undertakings, the accounts are audited thrice over, first by the Internal Audit, secondly by the Statutory Audit and thirdly by the Comptroller and Auditor General of India, and there can be no question of manipulation of accounts to suppress excise duty in the case of Public Sector Undertakings. Therefore, in their case, the audited accounts should be treated as record for the purpose of central excise duty. This will save the department and the public sector undertakings a good deal of cost in staff and documentation, apart from peripheral advantages that flow from streamlining the procedures.

Production Based Control

43. This leaves us with a long list of production based control articles. It is here that a fresh look is called for at the structure of the organisation. The Central Excise organisational structure today is broadly the same as has been designed in 1944 based on geographical distribution like ranges, sub-divisions, collectorate etc. While such an organisational structure perhaps suited to the needs of the Central Excise system as it was conceived for control of salt and

tobacco, it has become outdated in the present day context. The behavioural pattern of industrial growth in this country has a direct relevance to the staffing structure of the Excise Department.

44. An extract of table 2.13. from the Annual Survey of Industries, 1978-79, the latest available, about the principal characteristics by size of capital on All-India basis is placed at Annexure XII. It has been stated in that report that the so-called 'unspecified' units in this table could be those of insignificance, as their gross output was very small. Thus it would seem that the total number of units with plant and machinery exceeding Rs. 20 lakhs as in 1978-79 may have been between 6000 and 7000 numbers. On the other hand, the same ASI for census sector data compilation said that there were about 17,000 factories which were registered under the Factories Act and employing more than 50 persons if with electricity and 100, if without electricity. A proper appreciation of these figures would be very necessary to ensure optimum tax collection as well.

45. The most important omission in the Central Excise structure today is ignoring the shift in the location of industries that has been taking place nearly for the past decade and a half. Most of the industries have during the past 15 years sprung up near urban agglomeration because of the availability of infra-structural facilities. There is very much an integral part of urban development policy as well. One of the Collector told us (Hyderabad) that nearly 80 per cent industries in his Collectorate are located around the capital of the State. A cursory survey revealed that 70 to 80 per cent of the industries throughout India are located in or around about 10 to 12 major cities like Madras, Calcutta, Bombay, Kanpur, Ahmedabad, Coimbatore, Cochin, Hyderabad, Delhi and Bhopal. In this context Range Inspectors and Assistant Collectors in ranges far away from their place where the industries are concentrated with territorial responsibility appears to be wasteful and inefficient. With technological improvement in manufacturing processes, efficiency is directly linked with professional competence especially in the operative Central Excise supervision.

46. The Working Group, therefore, feels that the industries falling within a particular agglomerate should be classified and the structure of the Collectorate recast on functional basis to deal with each industry. This will enable the Collectorate to build up the necessary operational efficiency to deal with a particular type of industry and manufacturing processes. It is not impossible to arrive finally at a classification of industries on an All India basis. While such recasting of the structure will enable the Collectorate to deploy the staff more effectively and economically, it will create a uniformity in precedents and interpretation of rules and procedures throughout India as once the homogeneity of various industries on an All-India basis is identified. This will help the assessee to know exactly where he stands which is at present lacking, due to different interpretations of the

same rules and precedures by different Collectors for different industries. This will reduce the number of litigation pending in courts.

47. Once the structure is recast on this basis, a two-tier line of control, one to check the production on the basis of technical processes involved and the second to counter-check this with the accounts maintained. The Department would have developed sufficient expertise for both lines of control. Comparison of results will be easy and prompt, laboratory facilities be made available in all these cities.

48. This would involve a total restructuring of the organisation giving up the present pattern of sector, range and division. This will cut the cost of supervision. We, therefore, recommend an in-depth study into this area which we could not carry out within our limited time-frame.

49. The Venkatappiah Committee was set up with the primary objective of reviewing the self-removal procedure that had been brought into being on June 1, 1968. The Indirect Taxation Enquiry Committee worked on a very much larger canvas. There seems to have been no other study done so far of the Central Excise system of tax collection until our own Committee went into it from the expenditure economy point of view. For the reasons given above, it seems that a mere thorough going study (broadly like the Alexander Committee which went into the import policy and procedures in 1977-78) would be desirable, so that it does examine the distribution of industrial undertakings both in the large/medium-scale sectors and the small-scale sectors, their contribution to the output on a close analysis of the available Annual Survey of Industries data and other sources and evolving suitable measures to prevent leakage of revenues. One of the rituals of the Central Excise Department is that all the production should be noted in a separate register prescribed in the Rules called R.G.I. In a steel factory, with a computerised accounts, weekly documents prepared by the factory for its own use weighs about 5 to 6 kgs. It appear to be a frustrating exercise to have this document again re-written in R.G.I. merely to satisfy the Central Excise Rule. The better thing would be to treat the documents maintained by the factory as documents for central excise purposes also. So long as the firm's/company's statutory auditor certifies that they are the very documents on which it finalised the annual report/accounts and balance-sheet for income-tax assessment purposes as well. Particularly, in the case of Public Sector Undertakings, the accounts are audited thriceover, first by the Internal Audit, secondly by the Statutory Audit and thirdly by the Comptroller and Auditor General of India, and there can be no question of manipulation of accounts to suppress excise duty in the case of Public Sector Undertakings. Therefore, in their case, the audited accounts should be treated as record for the purpose of central excise duty. This will save the department and the public sector undertakings a good deal of cost in staff and documentation, apart from peripheral advantages that flow from streamlining the procedures.

Gold Control

50. The next fundamental reform would be to take away the gold control administration from the Central Excise Department. Wherever the Working Group visited, the main complaint of the collectorate was that the executive staff are lured by the advantages of getting posted for gold control work (less work more publicity and additionally remunerative) with the result that one main work of supervision and assessments of Central excise has suffered. It may be noted that gold control is not a revenue function, it is an enforcement function. The Public Accounts Committee went into this question when they dealt with the matter concerning B.O.A.C. The recommendation of the Committee was that the best way of tackling the problem would not be to have his enactment but to nationalise the trade in gold and entrust it to the Reserve Bank of India or the State Bank of India. In any event, this particular function should be taken away from the hands of the Central Excise authorities.

Recruitment and Training

51. The next point for consideration is the quality of staff. It is admitted by everyone that the staff engaged on central excise check had been recruited nearly three decades back and have no technical background or training nor are they qualified even to give correct interpretation of the law and the rules. They are also at such an advanced age that training them for the task is not practicable. Further, there is today no direct recruitment of Group B and Group C staff with the result the operative structure all of the promotees nearing their superannuation is the only one available for enforcement of central excise law. It is essential, therefore, to introduce at Group B level atleast direct recruitment and this should be done by the department and the men recruited should be from various technical disciplines as in the case of customs appraisers.

52. Connected with recruitment is training. At present, the training is mainly bookish and the trainees themselves do not have the feel of the field. The training programmes are defective and the majority of the official do not have any inservice training. The most glaring lapse is absence of any training in commercial accounting, when most of the work of the department today depends upon the critical scrutiny of the accounts.

Contribution of Data Collection and Processing

53. One of the factors which hamper efficiency in the collectorates is the number of statistical statements to be sent to the headquarters besides collecting enormous data for answering Parliament questions or Public Accounts Committee queries. It was suggested that there should be streamlining of this and a separate Statistical Cell should be created at each unit of the formation which should feed a central Cell at the headquarters and that the flow of information should be unidirectional, automatic and self-contained.

Bonds

54. Another reforms which will have an effect on staff economy is minimising the requirements regarding bonds.

55. The Jha Committee had recommended streamlining of the provisions relating to taking of bonds. They felt that either a single bond be devised to cover all operations or in the alternative, a drastic reduction should be made in their number. A consolidation in pursuance of the recommendation had been made but the revised bond No. B, No. 16 which is the consolidated one is so cumbersome and complex as to make the remedy worse than the disease. There are 15 other bonds, the relevance of some of which may be open to question. Executing bonds, keeping them in custody, enforcing them when default occurs, cancelling them when conditions are fulfilled, all take the time of the staff and increase the demand for staff as well. Basically, a bond binds a person executing it to undertake to fulfil the condition of a contract or the term of a statute when the exemption from the statute is given subject to fulfilment of conditions. In the matter of central excise, bonds should be insisted upon only where an exemption is given subject to fulfilment of certain conditions like bringing in raw material for production of industrial goods or for exporting goods without payment of duty. Except in regard to exemptions from payment of duty, there should be no occasion for demanding a bond, in the present day context of a factory owner having to fulfil several statutory requirements of both the Central and the State Governments before he starts production.

56. The above procedural reforms would bring down the need for keeping up a large force of more than thousands in central excise administration. This coupled with adequate training and raising the level of supervision and control would bring in greater efficiency resulting in larger revenues.

57. The following note would be taken in doing so of the views expressed by the Chairman of the Central Excise Department before the 6th Lok Sabha as under :—

“1.22—The Chairman, Central Board of Excise and Customs, during evidence contended that effective excise control was exercised only in respect of about 18000 assesseees only, out of the 1,15,617 factories from where only about 25 per cent of the revenue is collected. Explaining this, the Ministry have stated in a written reply that out of 1,15,000 units, about 63,000 account for cotton fabrics (Powerlooms) which were working under Special Procedure before the 1977 Budget and which, barring a few unauthorised units presently enjoy exemption from duty. Another 2,700 units are also working under Special Procedure in respect of other items such as Khandsari, battery parts etc. In addition, over 6,000 units are covered by Tariff Item No. 68 on which the excise control

procedures have been substantially simplified. About 24,000 units have been benefited by the small scale exemption given as a part of the 1978 Budget and a sizeable number of such units have gone out of effective excise control completely. The above analysis accounts for about 96,300 units on which either there is no central excise control or the control is a simplified one. Thus the number of points of collection after deducting these collection points comes to 18,700".

58. Within the limited scope of our examination and the time constraints involved, we could only deal with the broader aspects of procedural reforms which will have an impact on the staffing patterns and their economic deployment. However, as already indicated a number of factors have functional relation to an economic effort in the collection of excise duties. Their inter-actions call for a study in depth.

59. The Central Excise rules also provide for full decentralisation of the authority for granting warehousing licences to manufacturers and others. No data are centrally available of their numbers or purpose of utilisation. As their existence and operation are vital to the fiscal authority as much as to the users, this is an area of administration where proper guidelines are called for and proper Central control exercised—particularly in the case of manufactured articles and not tobacco, coffee, tea, oils, etc.

PART IV

CONTROL MECHANISMS

Introduction

60. The Administrative Reforms Wing of the Department of Personnel & Administrative Reforms, the Staff Inspection Unit in the Department of Expenditure and the Internal Work Study Units in various Ministries are the three agencies in the Government of India who are primarily responsible for effecting reforms in administration and for securing economy in expenditure on staff. While the Administrative Reforms Wing of the DOP&AR is concerned with the broader, qualitative aspects of organisational functioning, the Staff Inspection Units deals mainly with the specific, quantitative aspects of controlling growth of staff. At the micro-level, the Internal Work Study Units is entrusted with the functions of administrative reforms and staff re-organisation as well as the scrutiny of proposals for creation of posts. As far as the latter task is concerned, the IWSUs are operationally under the control of the SIU.

Creation of posts in the Government of India

61. For a clearer understanding of the effectiveness of the role played by these agencies, it is essential to know the modalities for creation of posts. Under the Delegation of Financial Power Rules, 1978, the Departments of the Central Government, Administrators and Heads of Departments have been delegated specific powers in relation to creation of permanent/temporary posts as indicated in Annexures VI & VII. The posts to be created shall be on the rates of scale of pay approved by the President. The powers do not cover upgrading the scales of pay of existing posts nor creation of posts outside the standard scales of pay. These powers cannot be further delegated.

62. A ban was imposed on the creation of non-plan posts with effect from 6-7-1979 except in the case of entirely new organisations the need for which has been specifically accepted, the powers mentioned above remain suspended. Cabinet approval is now required for creation of additional posts on the non-plan side (Annexure VIII).

63. However on the Plan side, additional posts can be created but with the concurrence of Finance Minister for Group 'A' posts and Secretary (Expenditure) for Group 'B', 'C' & 'D' posts. Whereas non-plan posts need the Cabinet approval, Plan posts can be created with the sanction of the Finance Minister or the Finance

Secretary. In case of posts on non-Plan side, matching savings are to be located, whereas on the Plan side there is no such requirement.

The Administrative Reforms Wing

64. The Administrative Reforms Wing of the DOP&AR is a nodal agency of the Government of India in the field of administrative reforms. It is responsible for initiating and sustaining efforts to improve the administrative efficiency in all branches of the government. The Administrative Reforms Wing performs the following specific functions :

- study larger issues affecting the organisation and machinery of the Government as a whole ;
- conduct systematic and planned studies on activities and procedures of the departments and the agencies with a view of improving procedures, management skills, organisational competence, office facilities, etc.
- lay down proper procedures for disposal of work ;
- function as a clearing house on suggestions regarding simplification of procedures and records management ;
- conduct administrative research on identified problems ;
- impart management education and disseminate information on administrative practices and modern management techniques ; and
- promote and develop management efforts in Government.

Internal Work Study Units

65. Internal Work Study Units were created in each Ministry/Department under instructions of the Ministry of Finance when the new arrangements for budgeting and financial control and delegation of financial powers to the Ministries/Departments were introduced in 1968. There are at present 35 Internal Work Study Units. These are mainly concerned in assisting the Departments in laying down job norms and to scrutinise proposals that are referred to it for staff re-organisation or creation of posts. They are placed under the Internal Financial Adviser. The SIU has been given the additional responsibility of coordinating the work of IWS units and also assisting them in training their personnel in the field of work measurement. In the field of work measurement studies, the IWSUs work under technical guidance and leadership of the SIU. Norms/standards evolved by the IWSUs for jobs pertaining to their ministries are subject to review by the Staff Selection Unit. In suitable cases, other studies conducted by the IWSUs are also subjected to test check by the SIU.

Internal Work Study Units—Working of :

66. The working of the Internal Work Study Units (IWSUs) was reviewed by the Committee of Secretaries at its meeting held on 3rd November, 1981. The Committee while noting that the role played by the IWSUs till now had been confined to scrutiny of proposals for staff and not much had been done in regard to studies aimed at work improvement, elimination of delays of evolving standards of performance and norms of work, felt that these functions were essential and that it was necessary for a Cell within the organisation to perform them. The Committee recommended that the orientation of the IWSUs should be changed and made the following recommendations in this connections :—

- (i) The success of IWSUs would depend upon the extent to which they are made use of by the Ministries. Secretaries of Ministries may make a review of their functioning and assign a new charter to them with more emphasis on critical examination of the rationale and methodology of work done in the Ministries to increase efficiency and lesson stereotype work measurement studies. Assistance of the DOP&AR may be taken in drawing up the charter of work for the IWSUs and for its staffing.
- (ii) Secretaries may have greater involvement in the assignment of tasks to IWSUs and may also arrange to meet personnel periodically.
- (iii) DOP&AR may review the functioning of the IWSUs and also render them assistance in special areas of study. They may also look into the training aspect of IWSU personnel.
- (iv) The staff posted in the IWSUs should not be subjected to frequent transfers.

Efforts towards better coordination

67. As more than one organisation was involved in the reform effort, to ensure proper coordination of the work especially between the Administrative Reforms wing and IWSUs, it was considered essential to have institutional framework to evolve consistent policies and programmes and to oversee and monitor the implementation of the recommendations made in the Study Reports of the AR wing and IWSUs.

67.1 After obtaining the approval of the then existing Committee of Secretaries on Internal Affairs, a Standing Implementation Committee was set up on 7th May, 1974 to ensure effective introduction of innovations recommended in the studies conducted by the Administrative Reforms Wing. This Committee held in all 7 meetings, the last being on the 16th January, 1978.

The main purpose for which this Committee was set up was to speed up consideration of the study reports through a committee process in which the representatives of nodal ministries/departments, like Finance, Personnel, etc. would be involved. For 4-1/2 years the Standing Implementation Committee has not met and this mechanism fell into disuse. Moreover, this Committee had a limited objective of only speeding up the decision-making process on the recommendations made in the study reports and it was not concerned with other matters, like coordination of the activities of the various agencies involved in administrative reforms, drawing up policies and programmes and overseeing the implementation of these programmes and policies.

67.2 This question was considered recently and to obviate the shortcomings mentioned above, a Co-ordinating Committee on Administrative Reforms has been set up vide O.M. No. K. 11013/2/82-P dated 4-1-1983 with the following functions and composition :—

A. Functions

- (i) To advise on formulation of policies and programmes on administrative reforms, including economy in staff.
- (ii) To establish coordination between the activities of the A. R. Wing, the SIU and the IWSUs.
- (iii) To discuss and approve the annual work programmes of the A. R. Wing, the SIU and the IWSUs and to ensure that these programmes are consistent with one another and there is no overlapping or duplication of efforts.
- (iv) To periodically review and monitor and implementation of the approved work programmes of the concerned agencies.
- (v) To act as a forum for securing expeditiously decisions on recommendations of the A. R. Wing and IWSU involving inter-ministry consultations.
- (vi) To consider and advise on measures to be taken for effective functioning of the A. R. Wing, the SIU and the IWSU e.g. appropriate training of O&M work study personnel, staffing, etc.

B. Composition

- | | |
|---|----------|
| (i) Additional Secretary, (Adm. Reforms) | Chairman |
| (ii) Joint Secretary (SIU), Ministry of Finance | Member |
| (iii) Joint Secretary (Personnel Policy) | Member |
| (iv) Joint Secretary (PEO), Planning Commission | Member |

(Representatives of other Ministries/Departments will also be invited to the meetings when matters concerning them come up for discussion).

The Staff Inspection Unit

68. The Staff Inspection Unit has emerged as the main mechanism for quantitative control of the growth of staff in the Government. This was constituted in the year 1964 in its present form. Its main objective is to secure economy in staff consistent with administrative efficiency by reviewing staff in government establishment through a programme of inspections and *ad hoc* studies. Prior to 1964, the Ministry of Finance had Special Re-organisation Unit conducting full scale work-studies of various organisations in the Government of India and public sector undertakings. In 1964, the SRU was converted into SIU. With the setting up of the Department of Administrative Reforms in the year 1964, the demarcation of functions between that Department and the SIU was made and the role of the SIU was confined to securing economy in staff consistent with the administrative efficiency and evolving performance standards and work norms. However, it was clarified that where the SIU in the course of their work measurement study came across procedures and methods, their revision or modifications seemed patently necessary and were likely to lead to economy in staff, they would be free to make suitable recommendations in the reports. However, items requiring detailed method study were required to be brought to the notice of the Administrative Reforms Division for further necessary action. A copy of letter No. 1/3/63-O&M dated 4th May, 1964 demarcating the functions between the Administrative Reforms Department and the SIU is placed at Annexure IX. The functions of the SIU are :—

- (i) Determining the scope and strength of the staff required by conducting work studies;
- (ii) Prescribing performance standards and work norms;
- (iii) framing forecast of staff requirement;
- (iv) grading of jobs in terms of their content and responsibilities attached to the posts; and
- (v) analysis of procedures and methods whose revision or modification seems patently necessary and is likely to lead to economy in staff.

S.I.U. Performance

68A. A statement showing the performance of the SIU from 1964-65 to 1981-82 is attached as statement I. The statement proves the inadequacy of the organisation for the objectives sought to be achieved. The SIU has been merely performing the task of applying cuts by review of staff in the various organisations and has not done much by way of regulating the growth of reshaping the structures and procedures, to ensure economy without compromising efficiency.

The ambit of the SIU is too wide. While the number of employees of the Central Government (excluding Railways and Defence) is estimated to about 19 lakhs, the SIU could hardly cover 13 to 16 per cent of the total number of posts till date.

(This is after excluding the public sector counterparts to which the S.I.U. extended its authority in 1976). One SIU team can examine approximately 1300 posts per annum and the whole SIU can hardly cover 30,000 posts in any single year. This has to be viewed in the context of the annual growth of staff of the Government of India which is around 2.8 per cent per annum. The scrutiny of the SIU thus cannot even encompass the yearly increment in the staff strength with'in Government.

The expertise which the SIU can bring to bear upon the work is inadequate. The organisation does not consist of experts in the Work Study or O&M methods. The unit is staffed by officers'officials drawn from various departments of the Government. At the junior levels which form the cutting edge of the organisation, a short training is imparted in the Institute of Secretariat Training and Management, Delhi, or National Institute for Training and Industrial Engineering, Bombay.

In actual practice it would be too much to expect the SIU scientific work measurement to acquire expertise in over a very wide area of administration. Norms are not easy to identify for each organisation to enable work measurement. The Final out-come of the SIU's labours has no direct relevance to either work measurement or norms. Staff reductions are bargained across the table and an agreement is reached between the SIU and the organisation. Neither economy is achieved nor efficiency ensured. Besides a system approach is not adopted by which alone whole structures of rapidly growing dimensions can be reformed and made more functional with the same staff.

The SIU is also expected to prescribe performance standards and work norms. Nothing substantial has been done in this area except for routine home keeping responsibilities.

By and large, the SIU undertakes inspection studies of one part of the organisation time and again but rarely studies the entire structure of the Ministry or the department as a whole. An organisation which is supposed to deal with staffing patterns and structure cannot confine its role to modular inspections and prescribe package reforms for components of an organisation, without taking into account totality of the structure. The result is that the SIU can only advocate marginal adjustments in stray departments|organisations inspected in isolation, in which truly the IWSUs should be able to operate independently in effect. Staff proposals are treated in isolation from structures and procedures and delegated powers. It is not surprising that the SIU has acquired a negative image.

69. The approach to administrative reforms and control of growth of staff has continued to be tentative and fitful with the result that there is considerable overlap between the Administrative Reforms Wing, the SIU and the IWSUs. Even though the functions of the

AR Wing and the SIU have been demarcated, it has to be recognised that they are inter-related and complementary and no clear dividing line can be drawn where the one ends and the other begins. For example, the method studies conducted by the AR Wing which mostly relate to procedures and methods of work would in many cases call for work-measurement studies for assessing the staff requirement to implement the revised procedures. Similarly no work-measurement study can be done to the total exclusion of the procedures in vogue. Therefore, if comprehensive studies are to be undertaken, there is a need to involve both the organisations.

The Estimates Committee's Observations

69.1 Such a recommendation was made by the Estimates Committee of the Lok Sabha as early as 1959. It observed as under :—

“It is obvious from a reading of the forgoing paragraphs that neither the S.R.U. nor the O&M Division and Units have fulfilled even a part of the expectations with which they were started. After many years of working both had to be re-organised, and even then it cannot be said that they have performed functions commensurate with the expenditure incurred on them. Rather, the Committee regret to note, considerable time and money have been spent on futile work and, as the impression goes, the O&M units have perhaps considerably added to the useless procedures and overburdened the already slow system of Secretariat working. The Committee consider that the time has come for a thorough review of the functions and the organisation of both the S.R.U. and the O. & M. Division and the O&M Cells in the various Ministries. The Secretary, Department of Expenditure, during his evidence agreed with the need for such a review so as to assess whether the O&M Organisation was yielding good returns for the money spent. He informed the Committee later that the present incumbent of the post of Director, O&M Division who had recently been appointed, would review the present working of the Organisation and offer his suggestions for improving it. The Committee feel that it would be desirable to associate with the Director during his review of the O&M working, one or two Senior Secretaries to Government who had experience of the O&M work in their Ministries.

The Committee observes that the work of the SRU is but an extension of the work of the O&M Organisation especially in view of the close connection between economy and efficiency. The Committee do not, therefore, consider that there is adequate justification for maintaining the two organisations as distinct units under two different Departments. Since the Cabinet Secretariat has no executive functions to perform, the Committee recommend that the SRU and the O&M organisation-i.e. that O&M Division and the various O&M units be combined into a single organisation with a unified control under the Ministry of Finance as to enable the combined organisations to effect speedily economy consistent with efficiency.

The Committee feel that the first task of the Ministry of Finance should be to prune this staff effectively so as to reduce it to the barest minimum and to evolve a compact single organisation which should be a model of efficiency based on considerations of maximum of economy. It is only then that such an organisation would be in a position to inspire confidence and influence decisions. The Committee also recommend that the work-studies carried out by it should be published in the annual reports of the Ministries and the economies effected as a result thereof indicated clearly in such reports. This organisation should endeavour to lay down scales of work for each job on scientific and business principles and the staff strengths should be based in the light of such conclusions and not on ad hoc or haphazard or conjectural basis.

The Committee emphasize that the strength and quality of the personnel employed in the Division, their methods and procedures of work and their achievements should be reviewed from time to time so that the instrument for devising and effecting economy in administrative expenditure does not itself become a source of additional expense to Government, as has been the case in the past. However, the ARC did not make any specific recommendation in this regard; with the result the two organisations continue to function as separate entities under two separate Ministries.

Changes in the past decade

69.2 In the past decade the following changes have taken place :—

- (i) The O&M units in various ministries/departments have been strengthened—once in 1966 and again in 1968—and have been renamed as Internal Work Study Units with the composite functions of O&M and work measurements. These units should be now in a position to take up staffing studies as well as methods studies, wherever required ;
- (ii) The power of the ministries/departments have been substantially enhanced with the decentralisation of work relating to budget and financial control. The ministries have now more powers in regard to creation of posts etc. Simultaneously the status of Financial Adviser has been up-graded; he has now been 'integrated' with the ministry and looks into cases in regard to both delegated and non-delegated powers relating to an administrative ministry; and
- (iii) As suggested by the Estimates Committee (5th Lok Sabha) in their 98th Report, orders have been issued placing the IWSUs under the Financial Adviser. This should improve their professional competence and the earlier apprehensions about their not being 'objective' in certain studies

relating to staff assessment necessitating reference to staff Inspection Unit for fresh studies, should not subsist any longer.

69.3 The Plowden Committee on Control of Expenditure in U.K. while dealing with the importance of management in governmental organisations has aptly remarked :—

“The primary responsibility for management efficiency in each Department must rest with the Department itself. This includes the organisation of the work; the scrutiny of new departmental policies to ensure that the staff implications are fully taken into account when policy is decided; the detection and removal of deficiencies in management; the critical review of the Department's existing activities, particularly those which are static or declining; and so through the whole gamut of management.”

(Para 46—“The Importance of Management”)

69.4 The Administrative Reforms wing has also confirmed this principle in stating that the machinery of the Government of India is too vast and no Central organisation for administrative reforms can cover the entire area. The day-to-day responsibility for keeping internal organisation of Ministries/administrative departments efficient and suited to the tasks performed should rest primarily with its administrative head. The ARC, however, made recommendations only for strengthening the Internal Work Study Units. Our assessment of the functioning of the various agencies in this area has convinced us that any mechanism which is totally external to the department or the Ministry concerned will have very little relevance, or competence to prescribe structural reforms or staffing patterns suited to the particular department. There is, therefore, an immediate necessity to internalise the agency.

69.5 When the SRU was constituted in the year 1952, an external control mechanism was sufficient as the total number of staff to be controlled was manageable for the Government of India as a whole. In the past 3 decades, the governmental functions have grown to such an extent, both horizontally and vertically, that external mechanisms of control have become ineffective. This is apparent from the performance of the SIU from 1964 onwards. Also a substantial area of growth has taken outside the purview of the control mechanisms. The continuous and steady rate of growth of staff on the plan side in the Government of India has swamped the little economies supposed to have been achieved by the recommendations of the SIU.

Weaknesses of Control Mechanism

70. The failure of the control mechanism is due to certain basic shortcomings in the present system. The mechanism of control is external to the system. The very dimension of organisational structure of the Government of India contra indicates the effectiveness of any

system which will depend on external controls. The pattern of growth of staff in the organisation as such requires continuous monitoring which external agencies cannot undertake. The Staff Inspection Unit is bogged down in repetitive and micro level scrutiny without a system perspective. It lacks the necessary expertise and its effectiveness is limited. At the micro level the Administrative Reforms Wing does not possess the necessary authority vis-a-vis the administrative departments/Ministries. It, too, has to build up competence and retain persons of proven excellence. There is no coordination between the functioning of the Administrative Reforms Wing and the S.I.U. Patch work attempts have been made to bring about coordination from time to time. But the fact remains that while the Administrative Reforms Wing has been rendered ineffective due to insufficient authority, the SIU which does have some teeth being part of the Finance Ministry is confined to the negative exercise of blocking expansions of staff. The first step towards any reforms in this area will be to internalise and strengthen substantially the control mechanism within the respective Ministries and Departments.

Recommendation

71. This will mean, on the one hand, abolition of the SIU and transformation of the Internal Work Study Units in each Ministry/Department into Administrative Reforms Units. On the other hand, this will mean much greater latitude to the Administrative Ministries/Departments in the matter of sanction of new posts and re-deployment of their existing staff within the parameters of the approved policies, budgetary limits and ceiling rates of growth. We have in the past dealing with the Ministry of Agriculture recommended fixing a horizontal embargo on the growth of staff subject to a prescribed ceiling rate. This will ensure the necessary latitude and flexibility for the respective departments to reshape their structures and staffing patterns for securing optimal efficiency. The Administrative Reforms Wing of the Government of India will fix the ceiling rate of growth on the basis of the average rate of growth in like Ministries/Departments. This ceiling shall be revised once in 3 years.

72. Presently the growth of staff on the plan side is not subjected to the same control and work measurement as in the case of non-plan side. Prescribing an embargo will mean that even the plan staff increases will have to undergo the same scrutiny as that of the non-plan staff. Subjecting the plan staff to such a scrutiny within the embargo will definitely have a salutary impact on the growth of staff in the governmental organisation.

73. The Internal Work Study Units provide the necessary infrastructure for the creation of the Administrative Reforms units within each Ministry/Department. These Administrative Reforms Units will have to function squarely under the administrative control of the Ministries/Departments of which they will form part. The task of the SIU in the area of conducting work measurement studies and fixing norms will devolve on these Administrative Reform Units.

74. The reconstituted Administrative Reform Units will have to be strengthened by infusion of necessary expertise. At present the IWSUs have no cadre or any system to train them and equip them with the expertise. It is, therefore, necessary to create a common cadre to include at least 50 per cent strength of the Administrative Reform Units. The cadre controlling authority shall be the Administrative Reforms Wing of the Government of India. This will have an additional benefit of introducing the necessary linkage between the Administrative Reforms Wing and the various Ministries|Departments.

75. The macro level checks should be determined only by the Administrative Reforms Wing and such checks should not include detailed examination of staff proposals. Its function should, apart from the existing consultancy work done by them, include policy guidance to the Administrative Reforms Units in each Ministry|Department, coordination of their work, control of the cadre manning these units. The Administrative Reforms Wing should carry out comprehensive studies of the organisational structures and procedures of different Ministries|departments in rotation. Policy parameters and ceiling rates of growth will be laid down by the Administrative Reforms Wing from time to time. For this purpose there is a necessity for infusion of sufficient expertise in the Administrative Reforms Wing.

76. The Administrative Reforms Wing will be in a better position to carry out comprehensive studies of the organisational structure of the various Ministries and departments. We recommend that within a period of two years, this Wing should carry out a review of all the Ministries and departments under the government. After this initial study is completed, periodical reviews of the various departments should be carried out at suitable intervals.

77. The Administrative Reforms Wing will have to be part of the Cabinet Secretariat. This Wing should report to the Committee of Secretaries and the action taken on each and every report of the Administrative Reforms Wing should be placed before the Cabinet. This practice of placing the report of action taken on the recommendations regarding administrative reforms and functional efficiency is prevalent in some State Governments. Thereby both the Ministry concerned as well as the Administrative Reforms Wing will pay more serious attention to the identification of studies, their progress and finding as well as their prompt and proper disposal.

78. With the abolition of the SIU, certain incidental re-organisations will become necessary. He have already stated the main function of conducting measurement studies and fixing norms will devolve on the Administrative Reforms Units. The residuary functions like fixing norms affecting more than one Ministry, other selected studies of important nature will be transferred to the Administrative Reforms Wing.****

****Mr. Jafa has reservations on these recommendations and Appendix XII sets out his views.

Summary of recommendations

79. To sum up :—

- (1) An embargo should be placed on the growth of staff beyond a particular percentage. This percentage should be worked out on the basis of trend rate of growth. This shall be the function of the AR Wing. This rate shall be revised once every three years.
- (2) Control of growth of staff should be made the responsibility of the individual departments|Ministries.
- (3) Administrative Reforms Cell should be built in each department|ministry which can be done by strengthening the existing Internal Work Study Units. These wings in addition to their existing task take over the task of the SIU for conducting work-measurement studies, fixing of norms etc.
- (4) The SIU should be abolished inasmuch as the role of the Finance (Expenditure) in controlling the growth of staff within the embargo will be no more, relevant.
- (5) The IWSUs shall have a single cadre under the control of the Administrative Reforms Wing of the Government of India. They will, however, work under the administrative control of the respective departmental head and report to them.
- (6) At the macro level the Administrative Reforms Wing will in addition to their existing duties take over the residuary functions of the SIU.
- (7) The Administrative Reforms Wing will carry out an initial study of all the Ministries|Departments within a period of two years and then carry out reviews of the various departments at suitable intervals.
- (8) The AR Wing shall be placed under the Cabinet secretariat and will report to the Committee of Secretaries.
- (9) The action taken on the report of the AR Wing shall be placed before the Cabinet.
- (10) The Administrative Reforms Wing should be provided with necessary expertise and be multidisciplinary in constitution. It will continue to carry out the consultancy services rendered by it as now.

ANNEXURE—I

Trend of growth in the number of Employees in the Department of Agriculture

As on 1st March	Number of Employees			Absolute increase in numbers			Percentage increase over previous year			Index number of employees (1972=100)			Number of Staff per officer
	Officers	Staff	Total	Officers	Staff	Total	Officers	Staff	Total	Officers	Staff	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1972	1697	11405	13102							100	100	100	6.7
1973	2041	12047	14088	344	642	986	20.27	5.63	7.53	120	106	108	5.9
1974	2329	12326	14655	288	279	567	14.11	2.32	4.02	137	108	112	5.3
1975	1975	14617	16592	—354	2291	1937	—15.20	18.59	13.22	116	128	127	7.4
1976	2039	15508	17547	64	891	955	3.24	6.10	5.76	120	136	134	7.6
1977	2273	16729	19002	234	1221	1455	11.48	7.87	8.29	134	147	145	7.4
1978	2316	17172	19488	43	443	486	1.89	2.65	2.56	136	151	149	7.4
1979	2528	18088	20616	212	916	1128	9.15	5.33	5.79	149	159	157	7.2
1980	2639	17943	20582	111	—145	—34	4.39	—0.80	—0.16	156	157	157	6.8
1981	2203	17700	19903	—436	—243	—679	—16.52	—1.35	—3.30	130	155	152	8.0
Absolute increase and rate of growth (trend)				506	6295	6801	3.17	5.75	5.40				

Source : Demand for Grants of Ministry of Agriculture.

ANNEXURE—II

*Pattern of distribution of Staff in the Department of Agriculture and Co-operation
Head Quarters—as on 1.1.83*

Nature of post	Technical		Non-Technical	
	%age	No. of posts	%age	No. of posts
1. Animal Husbandry & Dairy Development	74.3	(84)	25.7	(29)
2. Crops & Horticulture	62.4	(68)	37.6	(41)
3. Fisheries	58.7	(47)	41.3	(33)
4. Soil Conservation & Land Development	79.6	(39)	20.4	(10)
5. Fertiliser	64.8	(107)	35.2	(58)
6. Agriculture Census	63.2	(12)	36.8	(7)
7. Co-operation	59.5	(22)	40.5	(15)
8. P.P.M. Cell	85.0	(17)	15.0	(3)
1. Machinery	45.2	(14)	54.8	(17)
2. Forestry	39.3	(42)	60.7	(65)
3. Credit	48.0	(12)	52.0	(13)
4. Seeds & farms	29.2	(7)	70.8	(17)
5. International Co-operation	13.5	(5)	86.5	(32)
6. SL & VT Manpower	22.2	(2)	77.8	(7)
7. Plant protection	4.5	(1)	95.5	(1)
8. S.R.	10.0	(1)	90.0	(9)

Note: Work pertaining to Admn/House keeping and Personal Staff has been omitted.

ANNEXURE—III

Central Government Employees—Annual Compound Growth Rate
Non-Gazetted

Gazetted

Annual Compound Growth Rate	B	C	D	Total	A	B	Total	Total
1	2	3	4	5	6	7	8	(5+8)
1. Agriculture & Irrigation								
71—75	9.0	9.9	4.2	7.7	16.9	8.8	13.1	8.3
75—80	2.5	1.5	1.0	1.4	4.9	0.1	3.0	1.6
71—80	5.3	5.2	2.4	4.2	10.1	3.9	7.3	4.5
2. Communication								
71—75	73.4	3.7	0.3	3.2	9.3	11.1	10.6	3.3
75—80	(—)38.8	4.2	3.3	3.9	7.0	8.9	8.3	3.9
71—80	(—)2.8	4.0	2.0	3.6	8.0	9.9	9.3	3.7
3. Electronics				Data not available				
4. Energy								
71—75 . . . . .	..	..	..	..	..	..	..	..
75—80	24.9	2.0	3.2	3.5	4.6	7.3	5.7	3.9
71—80 . . . . .	..	..	..	..	..	..	..	..
5. External Affairs								
71—75	1.6	4.4	(—)5.5	0.6	3.1	4.4	3.6	1.3
75—80	(—)2.6	7.4	1.2	2.6	5.0	2.1	3.8	2.9
71—80	(—)0.7	6.0	(—)1.8	1.7	4.1	3.1	3.7	2.2
6. Health & Family Welfare								
71—75 . . . . .	..	..	..	..	..	..	..	..
75—80	6.0	4.6	1.4	3.1	13.1	(—)1.7	6.5	3.5
71—80 . . . . .	..	..	..	..	..	..	..	..

	1	2	3	4	5	6	7	8	(5+8)
7. Industry									
71-75		3.9	1.7	(-)6.5	(-)0.8	6.7	(-)1.1	4.3	(-)0.2
75-80		(-)1.6	(-)2.1	(-)1.7	(-)1.9	(-)0.7	(-)1.0	(-)0.8	(-)1.8
71-80		0.8	(-)0.4	(-)3.9	(-)1.5	(-)2.6	(-)1.0	1.4	(-)1.1
8. Petroleum									
71-75
75-80		0.8	17.5	6.4	8.6	5.5	8.7	7.3	8.2
71-80
9. Shipping & Transport									
71-75		0.7	(-)3.4	(-)4.0	(-)3.4	(-)7.9	0.2	(-)5.3	(-)3.7
75-80		(-)1.6	3.2	5.7	3.9	5.8	0.6	4.0	3.9
71-80		(-)0.6	0.2	1.3	0.6	(-)0.5	0.4	(-)0.2	
10. Steel Mines & Coal									
71-75
75-80		13.5	0.7	(-)0.1	0.6	1.6	3.4	2.1	0.9
71-80
11. Tourism & Civil Aviation									
71-75		7.4	(-)0.4	(-)1.3	(-)0.4	6.4	6.4	6.4	(0.3
75-80		1.2	3.6	3.3	3.4	6.9	1.3	3.5	3.4
71-80		3.9	1.8	1.2	1.7	6.7	3.5	4.8	2.0
Total for all Ministries									
71-75		10.4	3.8	0.6	2.4	6.7	4.1	5.3	2.4
75-80		5.1	2.9	1.3	2.2	5.9	4.6	5.2	2.3
71-80		7.4	3.3	1.0	2.3	6.3	4.4	5.3	2.3

Source : DGE & T, Ministry of Labour & Rehabilitation.

ANNEXURE—IV

**Establishment Expenditure of the Department of Agriculture & Cooperation
Secretariat**

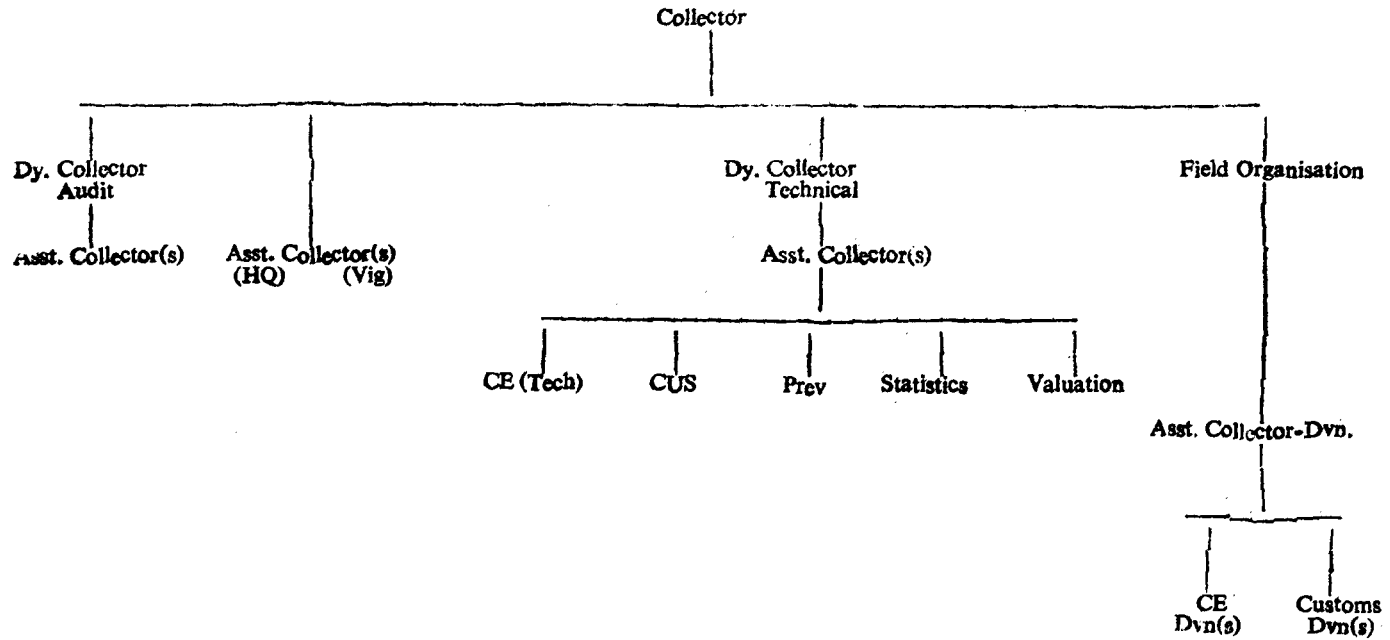
(Rs. in lakhs)

		Salaries	Wages	Total	Non-Plan Expendi- ture as Percent- age of total expendi- ture
1		2	3	4	5
1977-78	Plan . . .	8.26	..	8.26	
	Non-Plan . . .	154.42	0.91	155.33	95.0%
	Total . . .	162.68	0.91	163.59	
1978-79	Plan . . .	8.67	..	8.67	
	Non-Plan . . .	164.22	1.04	165.26	95.0%
	Total . . .	172.89	1.04	173.93	
1979-80	Plan . . .	10.19	..	10.19	
	Non-Plan . . .	175.07	0.98	176.05	94.5%
	Total . . .	185.26	0.98	186.24	
1980-81	Plan . . .	11.51	..	11.51	
	Non-Plan . . .	202.26	1.47	203.73	94.7%
	Total . . .	213.77	1.47	215.24	
1981-82	Plan . . .	10.61	..	10.61	
	Non-Plan . . .	208.97	1.67	210.64	95.2%
	Total . . .	219.58	1.67	221.25	

ANNEXURE—V

Central Excise Collectorates and their Jurisdiction

S. No.	Collectorates	Jurisdiction	No. of Re-orga- nised Divi- sions
1.	Ahmedabad }	State of Gujarat, U.T. of Dadra & Nagar Haveli	13
2.	Baroda }		17
3.	Allahabad }	State of U.P.	7
4.	Kanpur }		7
5.	Meerut }		8
6.	Bangalore	State of Karnataka	15
7.	Bhubaneswar	State of Orissa	4
8.	Bombay-I }	State of Maharashtra minus areas falling under Nagpur Collectorate	12
9.	Bombay-II }		13
10.	Pune }		16
11.	Nagpur	Area Commonly known as Vidharba	4
12.	Calcutta	Calcutta	17
13.	West Bengal	State of West Bengal	13
14.	Chandigarh	States of Himachal Pradesh, Jammu & Kashmir, Punjab & U.T. of Chandigarh.	8
15.	Cochin	State of Kerala	7
16.	Delhi	State of Haryana & Delhi	9
17.	Goa	Goa State	..
18.	Guntur		6
17.	Hyderabad	State of Andhra Pradesh	10
20.	Indore	State of Madhya Pradesh	10
21.	Jaipur	State of Rajasthan	6
22.	Madras }	State of Tamil Nadu	18
23.	Madurai }		15
24.	Patna }	State of Bihar	10
25.	Shillong }		11
		States of Assam, Nagaland, Meghalaya, Manipur, Tripura and U.T. of Mizoram Arunachal Pradesh	

Organisation of a Central Excise Collectorate

STATEMENT—I

Annual output of the Staff Inspection Unit

Year	No. of reviews	No. of posts sanctioned	Studied Addl. Demands	No. of posts found surplus		Economy Direct	Preventive (expansion proposed blocked)	Rs. in lakhs	
				Out of sanctioned strength	Out of Addl. Demands			Total	Cost of S.I.U.
1964-65	32	5796	980	1192	726	43.20	31.43	74.63	3.38
1965-66	36	6006	1830	1083	1450	38.20	56.54	94.74	5.38
1966-67	53	15511	3110	2 523	2450	106.11	106.45	212.56	6.64
1967-68	62	19901	2460	2936	2052	130.80	119.20	250.00	6.97
1968-69	96	28031	3456	3930	3163	164.58	140.28	304.86	7.72
1969-70	40	13815	1664	2243	1143	61.49	48.70	110.19	8.92
1970-71	46	14266	1896	2348	1002	112.78	50.18	162.96	9.67
1971-72	55	14406	1969	1970	1770	113.73	107.15	220.88	10.42
1972-73	50	20631	1528	2206	1082	89.55	53.84	143.39	10.57
1973-74	61	17110	2521	1709	2174	93.37	129.07	222.44	10.66
1974-75	45	12224	1903	1714	1298	102.38	107.17	209.55	10.75
1975-76	39	7602	1504	1033	1199	97.16	128.27	225.43	11.66
1976-77	37	15576	2323	2505	1644	179.91	129.62	309.53	12.66
1977-78	26	14094	1455	1870	957	171.09	97.80	268.89	12.09
1978-79	16	34459	625	6570	603	558.87	58.91	617.78	12.89
1979-80	29	32598	24861	2972	17857	256.10	1550.77	1806.87	13.00
1980-81	37	20423*	4466	3015	3273	688.69	337.86	1026.55	10.66
1981-82	26	17474.5	5336	1871.5	4110	337.72	966.78	1304.50	12.89
						3345.73	4220.02	7565.75	

*This excludes over 25,000 posts which a single relating to synthesising of norms for Housekeeping Sections of Ministers/Chief Offices of the Government of India covered.

STATEMENT—II

Expenditure incurred on pay and allowances by the Central Ministries/Departments on civilian employees for the year 1979-80

Sl. No.	Ministry/Deptt.	74-75	75-76	76-77	77-78	78-79	79-80
(Rs. in lakhs)							
1.	Home Affairs	8719.66	10989.76	11494.71	13870.07	14064.89	20908.47
2.	Revenue	5878.71	7161.79	7393.17	7806.03	8398.76	9051.63
3.	I.A. & A.D.	490.11	5678.97	4873.00	4694.28	5042.32	5457.53
4.	Atomic Energy	1790.77	2103.16	2192.97	2367.58	2617.02	2813.62
5.	W&H	2267.85	2540.82	2541.49	2485.60	2598.70	2698.34
6.	I&B	159.76	1614.31	1634.06	1768.88	1836.72	2179.07
7.	Eco. Affairs	1564.05	1861.64	1904.55	1935.57	1867.69	1862.88
8.	Health	1012.62	1186.91	1270.53	1358.03	1481.33	1737.73
9.	Civil Avi.	1120.37	1288.15	1258.69	1329.04	1447.92	1535.30
10.	S. Tech	884.44	1071.01	1096.41	1239.30	1246.84	1395.83
11.	Mines	954.53	1093.62	1126.28	1207.01	1303.96	1365.46
12.	Agriculture	935.97	1137.10	1156.81	1211.54	1338.84	1328.53
13.	Space	7.52	755.98	786.21	851.76	500.36	1077.41
14.	Industry	593.84	694.30	657.40	865.67	950.22	993.33
15.	Labour	668.49	766.48	787.81	831.26	893.87	965.70
16.	Irrigation	519.08	591.93	562.89	596.52	675.89	652.71
17.	Supply	634.63	641.46	605.48	606.67	633.10	648.49
18.	Statistics	385.14	460.66	497.85	493.31	596.77	601.07
19.	Culture	376.10	420.34	387.32	436.88	511.38	548.35
20.	DP&AR	439.56	517.57	550.99	430.44	481.08	520.59
21.	S&T	388.62	457.37	461.91	498.66	527.42	513.52
22.	Rehab.	493.04	577.22	537.76	520.07	514.94	508.41
23.	Commerce	461.35	567.64	586.52	383.66	394.05	410.48

S. No. Ministry/Deptt.	74-75	75-76	76-77	77-78	78-79	79-80
24. Ext. Aff.	225.09	247.16	264.94	262.44	263.04	307.77
25. Power	228.39	327.18	360.08	371.78	382.62	283.29
26. Education	163.93	195.13	205.33	233.50	250.05	261.35
27. Food	155.62	179.75	196.88	198.02	226.45	238.48
28. Law & Jus.	176.77	206.20	197.07	199.28	210.13	220.21
29. Expenditure	205.83	224.57	178.57	164.49	188.20	195.65
30. Planning	173.90	183.23	188.23	184.96	183.23	193.83
31. Company Aff.	132.99	149.19	157.03	157.53	170.11	183.06
32. Rural Dev.	N.A	136.24	121.50	145.21	148.51	168.70
33. Family Wel.	76.39	73.21	69.95	110.07	100.22	94.03
34. Steel	61.32	68.69	69.65	71.51	71.93	70.95
35. Social Welfare	53.04	48.16	47.78	52.26	61.03	65.54
36. Electronics	23.21	31.70	34.29	42.61	51.35	56.77
37. Coal		49.35	56.00	65.47	56.29	52.77
38. Civil Supplies & Cooperation	107.14		52.64	46.88	50.67	52.34
39. Petroleum	40.72	48.51	30.19	30.30	34.78	34.75
40. Chemical & Fertilizers			19.04	25.80	28.47	31.10
41. President's Sectt.	27.01	27.56	26.92	26.80	28.12	29.08
42. Cabinet Affairs	19.91	23.49	23.41	21.44	19.92	20.91
43. Parliamentary Affairs	12.51	13.39	12.47	12.46	14.47	14.24
Total :	146801.91	188587.19	192663.89	201901.12	215423.70	234731.80

Note : Figures given above are for selected major departments only. However the total represents expenditure for all 53 Departments.

ANNEXURE—VI

DELEGATION OF FINANCIAL POWERS RULES
SCHEDULE II

POWER TO CREATE PERMANENT POSTS
(See Rule 13)

Note.—The powers of subordinate authorities for creation of permanent unclassified posts are regulated by separate orders.

AUTHORITY	Class of posts which may be created
Department of the Central Government:	
(i) Department of Parliamentary Affairs and Vice-President's Secretariat	Posts in Group A Service: (a) Secretariat posts not above the rank of Under Secretary; and (b) Other posts carrying prescribed scale the maximum of which does not exceed Rs. 1,600 per mensem. (c) Posts in Group B, C and D Services.
(ii) Other Departments	Posts in Group A Services on pay less than Rs. 2,750 per mensem in the prescribed scale or Rs. 3,000 (if the post carries a pre-1931 scale) NOTE— Where a post is sanctioned on a time-scale the maximum of the time-scale should be taken as pay for the purposes of this entry. Posts in Groups B, C and D Services.
Administrators:	
(i) Administrators of D.Dhi; Dadra and Nagar Haveli; Goa, Daman and Diu; Pondicherry; Chandigarh; and Mizoram.	Posts in Groups B, C and D Services.
(ii) Other Administrators (excluding Administrator, Lakshadweep Islands).	Posts in Groups B, C and D Services.
(iii) Administrator, Lakshadweep Island.	Posts in Group D Service.
Heads of Departments	Posts in Groups C and D Services.

ANNEXURE—VII

SCHEDULE III POWERS TO CREATE TEMPORARY POSTS (See Rule 13)

Note :—The powers of subordinate authorities for creation of temporary unclassified posts are regulated by separate orders.

Authority	Class of posts which may be created and the limit of pay up to which a post may be sanctioned	period for which the posts may be sanctioned
1	2	3
Department of the Central Government :		
(i) Department of Parliamentary Affairs and Vice-President's Secretariat	<p>Posts in Group A Services : (a) Secretariat posts not above the rank of Under Secretary; and (b) Other posts carrying Prescribed scale the maximum of which does not exceed Rs. 1,600 per mensem.</p> <p>Posts in Groups B, C, and D Services.</p>	Any specified period.
(ii) Other Departments.	<p>Posts in Group A Services on pay less than Rs. 2,750 per mensem in the prescribed scale of Rs. 3,000 (if the post carries a pre-1931 scale).</p> <p>NOTE :—Where a post is sanctioned on a time scale the maximum of the time-scale should be taken as pay for the purpose of this entry.</p> <p>Posts in Group B, Group C and Group D Services other than posts in the Finance Branch of the Department.</p>	Any specified period.
Administrators:		
(i) Arunachal Pradesh; Delhi; Goa, Daman and	Posts in Group A Service, the maximum of whose scales of	For any specified period.

1	2	3
Diu; Mizoram; and Pondicherry.	pay does not exceed Rs. 2,000 p.m. and to which the Administrator is the appointing authority. Posts in Group B, Group C and Group D Services.	For any specified period.
(ii) Chandigarh; and Dadra and Nagar Haveli.	Posts in Group A Service Posts in Group B, Group C and Group D Service.	Initially for any period not exceeding six months with power to extend the post by not more than a further period of six months. For any specified period.
(iii) Andaman and Nicobar Islands.	Posts in Group B, Group C and Group D Service.	For any specified period.
(iv) Lakshadweep	Posts in Group C and Group D Service.	For any specified period.
Heads of Departments	Posts in Group B, Group C and Group D Service.	For any specified period.

Explanation:—In this Schedule, "any specified period" means:—

- (a) in the case where the authority specified in column 1 of the Schedule has power to create a temporary post specified in column 2 of the said Schedule but has no power to create such post permanently, a period not exceeding two years; and
- (b) in any other case, any stated period.

DELEGATION OF FINANCIAL POWERS RULES 1978

11. *Creation of posts*

(1) Notwithstanding anything contained in these rules, no post shall be created :—

- (a) in the Secretariat office of a Department of the Central Government unless the scale or rate of pay on which the post is created has been approved by the President for a post of similar character under the Central Government;
- (b) in any other office which is under the control of an Administrator or Head of Department unless there exists in the same or any other civil non-secretariat office under that Administrator or Head of Department, a post of similar character on a rate or scale or pay approved by the President;
- (c) on a permanent basis, save with the previous consent of the Finance Ministry, unless saving in the succeeding years can be established for this purpose; and
- (d) unless funds to meet the cost of the post, if temporary, can be found by valid Appropriation or Reappropriation from within the provision placed at the disposal of the authority concerned during a year. Continuance of such posts in future shall be subject to the provision of funds being made in the budget.

(2) The power conferred on a subordinate authority to create a permanent post may be exercised in creating similar supernumerary post for the purpose of accommodating the lien of a Government servant who, though entitled to hold a lien against regular permanent post, cannot be so accommodated because of non-availability of such a post. The supernumerary post shall be created only if another vacant permanent post is not available to provide lien for the Government servant concerned and it shall remain operative only until he is absorbed in a regular permanent post;

(3) The power conferred on a subordinate authority to create permanent or temporary posts shall not, unless otherwise directed by the President, be exercised so as to add such posts to any service or cadre unless that service or cadre is under the control of that authority;

Provided that the provisions of this sub-rule shall not be applicable to posts borne on the cadres of the Central Secretariat Service, the Central Secretariat Stenographers' Service or the Central Secretariat Clerical Service. The competent authorities may create posts but their inclusion in the Central Secretariat Service, Central Secretariat Stenographers' Service or Central Secretariat Clerical Service, shall be subject to the provisions of the respective Service or Cadre Schemes.

**MINISTRY OF HOME AFFAIRS
DEPARTMENT OF ADMINISTRATIVE REFORMS**

No. 1|3|63-O&M

New Delhi, the 4th May, 1964

**Subject :—Demarcation of functions between O&M Division, Deptt.
of Administrative Reforms, and Staff Inspection Unit,
Department of Expenditure.**

The Committee of Administration, at its meeting held on the 3rd February, 1964, concurred in the proposal for the transfer of the O&M Division from the Department of Cabinet Affairs to the Department of Administrative Reforms, set up in the Ministry of Home Affairs. The concurrence was subject to a suitable demarcation of functions between the O&M Division and the Special Reorganisation Unit (now designated as Staff Inspection Unit) being settled after discussion between the Ministry of Home Affairs and the Ministry of Finance.

A list of the respective functions of the two organisations as finally agreed to after such discussion, is enclosed for the information of the Committee on Administration.

**Sd/- B. K. MUKERJI,
Joint Secretary.**

Statement showing the functions to be allotted to the O&M Division and Staff Inspection Unit.

A—O&M Division

I. *General Objective*

To initiate and sustain a concerted effort to improve administrative efficiency in all branches of Government.

II. *Specific functions*

1. To study larger issues affecting the organisation and machinery of Government as a whole : e.g., procedures and problems having inter-Ministerial import which are causing delay, waste or complications.

2. (a) To lay down proper procedures for disposal of work.

(b) To function as a clearing house on suggestions regarding simplification of procedures and records management.

3. (a) To conduct administrative research on identified problems.

(b) To conduct systematic and planned study of activities and procedures of Departments and agencies with a view to improving—

(i) Procedures;

(ii) relationships among constituent elements;

(iii) management skills and programming techniques;

(iv) communications;

(v) Organisational competence;

(vi) responsibility among various classes of civil servants;

(vii) office facilities, and other aspects of machinery of Government.

III. *Nature of Operations*

(1) The above would mean carrying out detailed work studies, viz.

(a) Organisational and structural analysis, delegation of powers, span of controls, rational distribution of work etc. but excluding work measurement.

(b) Analysis of methods of work including decision-making process.

- (c) Programme of work simplification and standardisation, rationalisation and reduction of paper work.
- (2) (a) To impart training in work study techniques in co-operation with Staff Inspection Unit.
- (b) To suggest programme of staff orientation and competence based on a system of initial, inservice and management training.
- (c) To evolve incentives for better performance.
- (3) To suggest control mechanisms for keeping watch over expeditious disposal of work and reduce delays.
- (4) To ensure that Ministries undertake and sustain a phased programme of codification and manualisation.
- (5) (a) To supply direction and guidance to Ministries for the competent running of their O&M Units.
- (b) To coordinate the functions of the various O&M Units in the Ministries and offices.

B—Staff Inspection Unit

I. *Objective*

To secure economy in staff consistent with administrative efficiency and evolve performance standards and work norms.

II. *Specific Functions*

To review staffing of Government establishments through a programme of inspections and *ad hoc* studies.

III. *Nature of operations*

- (1) To determine the scope and strength of staff-required by conducting work measurement studies of organisations including technical organisations.
- (2) To frame forecasts of staff requirements.
 - (a) By evolving and prescribing standards of performance (generally time norms) according to a programme of study of
 - (i) House-keeping jobs;
 - (ii) Jobs common to organisations;
 - (iii) Routine. and
 - (iv) Repetitive jobs.
 - (b) By grading jobs in terms of their content and responsibilities attached to the posts.

N.B. Where the S.I.U. in the course of their work-measurement studies came across procedures and methods whose revision

or modification seems patently necessary and is likely to lead to economy in staff, they will incorporate suitable recommendations in their reports. However, items requiring detailed methods study will be brought to the notice of O&M Division for further necessary action.

C—Coordination

Since the S.I.U. and O&M Division are sister organisations whose objectives are to an extent similar and whose fields of activities have many points of common contact, it is essential that these two units should work in close cooperation, evolving the necessary machinery for coordination and exchange of information regarding the progress and results of studies and other items of mutual interest.

ANNEXURE—X

Sector-Wise Employment Trends and Growth Rates in the Department of Agriculture

	1972			1975			1978			1981		
	Officer	Staff	Total	Officer	Staff	Total	Officer	Staff	Total	Officer	Staff	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Department of Agriculture & Co-op. . .	299	974	1273	349 (16.72)	968 (—0.62)	1317 (3.46)	323 (—7.45)	1229 (26.96)	1552 (17.84)	334 (3.41)	1394 (13.43)	1728 (11.34)
2. Agriculture . .	898	6096	6994	925 (3.01)	6128 (0.52)	1053 (0.84)	1136 (22.81)	6980 (13.90)	8116 (15.07)	969 (—14.70)	6427 (—7.92)	7398 (—8.87)
3. Fisheries . .	120	1462	1582	140 (16.67)	1581 (8.41)	1721 (8.79)	118 (—15.71)	1588 (0.44)	1706 (—0.87)	152 (28.81)	1700 (7.05)	1852 (8.56)
4. Animal Husbandry . .	85	473	558	195 (129.41)	3970 (739.32)	4165 (646.42)	185 (—5.13)	3882 (—2.22)	4067 (—2.35)	184 (—0.54)	4434 (14.22)	4618 (13.55)
5. Forest . .	295	2400	2695	366 (24.07)	1970 (—17.92)	2336 (—13.32)	554 (51.37)	3493 (77.31)	4.47 (73.24)	564 (1.81)	3745 (7.21)	4309 (6.47)
6. Total (1 to 5) .	1697	11405	13102	1975 (16.38)	14617 (28.16)	16592 (26.64)	2316 (17.27)	17172 (17.48)	19488 (17.45)	2203 (—4.88)	17700 (3.07)	19903 (2.13)

NOTE : Figures within brackets indicate percentage over previous year

SOURCE : Demand for Grants of Ministry of Agriculture

ANNEXURE X *contd.*

	Absolute Increase (Base 1972 to 1981)			Percentage Increase (1972-1981)			Trend Growth Rate % (1972-81)		
	Officer	Staff	Total	Officer	Staff	Total	Officer	Staff	Total
	14	15	16	17	18	19	20	21	22
1. Department of Agriculture & Co-operation	35	420	455	11.71	43.12	35.74	1.17	3.49	2.96
2. Agriculture	71	331	402	7.91	5.43	5.75	(—)0.26	0.37	0.27
3. Fisheries	32	238	270	26.67	16.28	17.07	3.68	2.18	2.30
4. Animal Husbandry	99	3961	4060	116.47	887.42	727.60	12.97	31.79	30.18
5. Forest	269	1345	1614	19.91	56.04	59.89	11.31	9.15	9.44
6. Total (1 to 5)	506	6295	6801	29.82	55.20	51.91	3.17	5.75	5.40

NOTE : Figures within brackets indicate percentage over previous years

SOURCE : Demand for Grants of Ministry of Agriculture

ANNEXURE XI

Trend growth rate of certain Developmental Departments/Ministries : 1971 to 1980.

As on 31st March	Energy	Agriculture and Irrigation	Shipping and Transport	Tourism and Civil Aviation	Commerce and Civil Supplies, Industry, Petroleum, Chemicals and Fertilizers, Steel, Mines and Coal	Total (2 to 6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1971	5351	20227	5536	14684	24965	70763
1972	5577	19299	5191	14789	23798	68654
1973	5544	19486	5135	14684	24987	69836
1974*	5518	21512	4953	14769	25422	72174
1975	5491	23538	4770	14854	25946	74599
1976	6493	24294	5246	15354	24254	75641
1977	7155	24713	5277	16071	25253	78469
1978	7124	26457	5699	16118	25877	81275
1979*	6882	25951	5734	16844	26674	82085
1980	6639	25445	5769	17570	27471	82894
Trend growth rate (%)	3.46	3.78	1.14	2.01	1.06	2.27

*Provisional

Source : Census of Central Government Employees, D.G.E. & T. Ministry of Labour.

Appendix XII

MINISTRY OF FINANCE

(Department of Expenditure)

Sub :—Draft Report of the Working Group on Staffing Patterns and Personnel Policies.

Ref :—EARC OM No. EARC|V(A)|1|82-Adv. dated the 5th April 1983.

A Note below page 52

The following may be added as a Note :—

“Shri V. S. Jafa does not subscribe to the views expressed in para 68 onwards. In his view for making a balanced assessment, it is necessary to incorporate an appraisal of the work of the Administrative Reforms Wing and the IWSUs also. He does not also agree that the SIU should be abolished. In 1964 SRU was abolished and SIU created because the SRU experiment was not found very successful. Bringing the two functions now performed by SIU and the Administrative Reforms Wing together will amount to resurrecting the SRU itself. Besides, recent assessments made in the Ministry of Finance indicate that SIU is performing a very useful function and needs to be strengthened. There is a case for improving the functioning of SIU”.

Sd/-

**V. S. Jafa,
Jt. Secy. (Per)**

21-4-83.

ANNEXURE XIII*

Principal characteristics by size of Capital All India

Capital range (Gross value of Plant & Machinery) (Rs. lakhs)	Factories (Number)	Fixed Capital (Rs. lakhs)	Productive Capital (Rs. lakhs)	Employees (Number)	Emoluments (Rs. lakhs)	Gross Output (Rs. lakhs)	Value added (Rs. lakhs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Upto 1.0	36298	24740	70559	1037172	26462	313402	43890
1.0 — 2.5	13324	25004	52894	488779	13299	216034	28876
2.5 — 5.0	7155	26537	49244	385787	13490	193650	27491
5.0 — 7.5	3251	19194	32411	247136	9100	123416	19066
7.5 — 10.0	2012	18146	31810	168101	7583	108268	18911
Small scale Sector (Upto Rs. 10.0 lakhs)	62040	113621	236918	2326975	69934	954770	138234
10.0 — 25.0	3277	47803	86036	421003	22038	272769	46233
Above 25.0	4907	2125611	2812727	4273451	363949	3165306	764312
Unspecified	17853	1558	5938	226680	5251	41534	6617
Total	88077	2288593	3141319	7248109	461172	4434379	955396

*SOURCE : Annual Survey of Industries 1978-79.